

**ALASKA MUNICIPAL BOND BANK
AUTHORITY
BOARD OF DIRECTOR'S MEETING**

**TO BE HELD AT
ASNA Office
3800 Centerpoint Drive, Suite 202
Anchorage, AK 99503**

**March 1, 2018
10:00 AM ADT**





333 Willoughby Avenue, 11th Floor
P.O. Box 110405
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AGENDA FOR BOARD OF DIRECTOR'S MEETING

Meeting Place:

ASNA Office
3800 Centerpoint Drive, Suite 202
Anchorage, AK 99503

March 1, 2018 at 10:00 a.m. ADT

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. Approval of Agenda**
- V. Minutes of the September 28, 2017 Meeting of the Board of Directors**
- VI. General Business**
 - A. Northwest Arctic Borough Credit Review and Discussion**
 - B. Presentation from ANTHC and Alaska Pacific University**
 - C. Fiscal Year 2017 Annual Report**
 - D. AMBBA Budget Discussion**
 - E. Schedule Strategic Planning Session**
 - F. Finance Director's Report**
 - Fiscal Year 2018 Semi-Annual Financial Overview as of 12/31/2017**
 - G. Executive Director's Report**
- VII. Public Comments**
- VIII. Board Comments**
- IX. Adjournment**

NOTICE OF MEETING: Alaska Municipal Bond Bank Authority Board of Director's Meeting

Alaska Municipal Bond Bank Authority Board of Director's Meeting

Meeting Place: ASNA Office, 3800 Centerpoint Drive, Suite 202, Anchorage, AK 99503

Meeting Date and Time: March 1, 2018 at 10:00 a.m. ADT

The public is invited to attend. Individuals who may need special modifications to participate should call (907) 465-3750 prior to the meeting.

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[Attachments, History, Details](#)

[Attachments](#)

[Details](#)

[AMBBA Board Meeting AGENDA Final 3-1-2018.pdf](#)

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Events/Deadlines:



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MINUTES of the BOARD OF DIRECTORS MEETING

ALASKA MUNICIPAL BOND BANK AUTHORITY

September 28, 2017

I. CALL TO ORDER

Greg Gursey called the meeting to order at 10:01 AM, Alaska Daylight Time. Members participated at the AIDEA board room, 813 W Northern Lights Blvd., Anchorage, AK 99503, and telephonically.

II. ROLL CALL

Luke Welles
Craig Chapman
Chris Hladick
Pam Leary
Greg Gursey

OTHERS IN ATTENDANCE:

- Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
- Ryan Williams, Finance Director, Alaska Municipal Bond Bank
- Chip Pierce, Financial Advisor, Western Financial Group
- Greg Blonde, Bond Counsel for AMBBA, Orrick, Herrington & Sutcliffe, LLP
- Doug Goe, Orrick, Herrington & Sutcliffe, LLP
- Angela Trout, Orrick, Herrington & Sutcliffe, LLP
- Leslie Krusen, Orrick, Herrington & Sutcliffe, LLP
- Sam Thompson, BDO, Anchorage Office
- Brandi Harbaugh, Finance Director, Kenai Peninsula Borough
- Cindy Cartledge, JDO Law, PC

- Colette Thompson, KPB Attorney
- John Hedges, KPB Capital Project Manager
- Angela Hinnegan, Assistant Controller, CPGH

III. PUBLIC MEETING NOTICE

A copy of the Online Public Notice concerning the date, location, and purpose of the meeting was reviewed for the record. The public notice was officially published on September 8, 2017 on the official Alaska Online Public Notice website for the September 28, 2017 meeting date.

IV. APPROVAL OF AGENDA

The agenda was reviewed by the board. The agenda was amended to include General Business Item VI – A, Audit Process and Experiences, presented by BDO, with adjustments to the order (with relabeling) of Items B through H. The agenda, as amended, was approved unanimously without objection.

V. MINUTES of the March 29, 2017 Board of Directors Meeting

The March 29, 2017 minutes of the AMBBA Board of Directors meeting was reviewed by the board and approved unanimously as written without objection.

VI. GENERAL BUISNESS

Introduction of Board Members

Mr. Gursey asked representatives around the room to state name and give a brief introduction. New board members, including Craig Chapman, and Chris Hladick, introduced themselves, giving a general background and history. Craig Chapman, previous Finance Director for KPB, introduced himself as a new member. Mr. Chapman also mentioned that his name is on the application that was submitted to the Bond Bank from KPB, so he will not be voting. Chris Hladick, current Commissioner of the Department of Commerce, Community, and Economic Development, introduced himself as a new member.

Election of Officers

Mr. Gursey asked Mr. Mitchell if there was an underlying requirement for certain public members versus delegates from DOR / DCCED to Chair the Bond Bank Board of Directors. Mr. Mitchell stated that in recent history, the Chair and Vice-Chair have been the “public” members on the board, but does not believe there is an underlying requirement that these positions be filled by certain members. The statutory requirement calls for election of officers annually. Positions include Chair, Vice-Chair, Treasurer, and Deputy-Treasurer. Mr. Gursey mentioned that Luke Welles is interested in being the Chairperson. Mr. Gursey mentioned an interest in Vice-Chair. Mr. Mitchell recommended keeping the Treasurer and Deputy-Treasurer the same as the prior year (Mr. Mitchell and Mr. Williams). Ms. Leary made a motion to approve Mr. Welles as Chair, Mr. Gursey as Vice-Chair, Mr. Mitchell as Treasurer, and Mr. Williams as Deputy-Treasurer, and Craig Chapman seconded the motion. Mr. Williams conducted a roll call vote and the motion passed unanimously with five yes votes, officers were approved.

BDO – Audit Process and Experiences

Sam Thompson, BDO, introduced himself as the independent auditor of the Bond Bank for the last few years. The Bond Bank is currently in the audit process for fiscal year 2017. Mr. Thompson mentioned that BDO is on track to issue an unmodified opinion for the Bond Bank by tomorrow (Friday, September 29, 2017). An unmodified opinion is the highest level of assurance that BDO can professionally render upon full review of the Bond Bank’s financial statements. Mr. Thompson mentioned that BDO has been reviewing information directly from the Bond Bank, communities, and the Bond Bank trustees for the last two weeks. Mr. Thompson mentioned that there have been no internal control deficiencies and the Bond Bank has sound control structure on the management level as well. There were no other suggestions to management.

Kenai Peninsula Borough (KPB) Central Hospital – Credit Review and Discussion

Mr. Pierce presented an application credit review summary for KPB - Central Kenai Peninsula Hospital Service Area, for a \$28,955,000 revenue bond loan request from the Bond Bank for expansion and renovation of the Central Peninsula Hospital. The Borough, through the Central Peninsula Hospital, Inc., is looking to construct 28,700 square feet of new building space and 26,000

square feet of renovated space for a new obstetrics department and cardiac catheterization laboratory. The project plan also includes relocating the existing inpatient pharmacy and adding three intensive care patient rooms. The term of the loan is 20 years, with a pledge of net hospital revenues. Most recent pledged revenues from fiscal year 2017, unaudited, were \$5.8 million. With total Bond Bank fiscal year 2018 debt service of approximately \$16.5 million, the debt service coverage ratio is approximately 2.71x. With most recent state shared revenues of \$95.1 million, the debt service coverage of Bond Bank debt service from these state shared revenues is 5.75x. Estimated gross savings for KPB is \$3.3 million, and the no litigation letter has been received. Mr. Pierce discussed a background of the Central Peninsula General Hospital (CPGH), who has considered updating the obstetrics department for many years and has observed growing need for catheterization lab services, with patients currently having to travel to Anchorage for such services. The KPB assembly has approved an ordinance appropriating \$10 million from the hospital's Plant Replacement and Expansion Fund, and authorized the Borough to issue up to \$28,955,000 in revenue bonds. Of the \$10 million, \$3.1 million will go to design costs and approximately \$6.9 million to construction costs. KPB owns the facilities of CPGH and the land that the Hospital's facilities occupy. CPGH is a 501(c)(3) organization that has operated CPGH on behalf of the Borough since 1998. The current lease agreement has recently been extended through 2027. A completed application was submitted by KPB to the State of Alaska for a Certificate of Need (CON). The Commissioner of the Department of Health and Social Services has until the end of November 2017 to make a decision related to the CON request, the date may change depending upon length of initial application review, but would probably not go past the end of calendar year 2017.

Mr. Pierce stated the financial condition of CPGH has improved significantly in the past eight years. CPGH expanded the types of medical services offered and captured market share of procedures and treatments that formerly required travel outside KPB. Mr. Pierce presented operating revenues from 2004 through 2017, which have shown a consistent growth pattern. From 2004 through 2016 total operating revenues increased by 287%. The growth pattern reversed in 2017 based on unaudited figures. CPGH staff reported hospital specific revenues (which would be pledged on a subordinate basis to the 2017 loan) declined from \$142.7 million in fiscal year 2016 to \$119.8 million in (unaudited) fiscal year 2017. Staff has mentioned this decline as attributable to a 6.8% decline in acute care patient days, supply revenue, and oxygen minute revenues. Some declines are attributable to electronic health care system implementation, and the hospital

was unable to bill for a portion of supply fees. In July 2017, the hospital implemented a 10% increase across all hospital charges. With a projected increase in patient volume and renewal of Medicare Rural Demonstration Project, CPGH staff anticipate a reversal to the downward revenue trend that occurred year-over-year between fiscal 2016 and 2017. CPGH has implemented price increases almost annually, with an average annual increase of approximately 7% since 2000. Financial health has improved significantly over that same time period. In addition, CPGH has worked to control expenses through departmental education, and negotiations with labor unions and supply vendors.

Mr. Pierce went into detail on the security pledge. Since the Bond Bank has made other loans to the CPGH for their specialty clinic (a total of \$38.74 million from 2014 through 2016), those loans have a senior lien position to the repayment of this loan, which will be subordinate to the Specialty Clinic bonds in two respects. First, the pledge will be on a more limited stream of revenues (Specialty Clinic revenues will not be pledged). Second, the 2017 loan will be secured by net revenues of the hospital, after taking into account operating and maintenance costs and the debt service on the 2014 through 2016 loans. Mr. Pierce presented a table showing 2015 through 2017 operating results, including the revenues available for payment of debt service on previous loans, and the anticipated debt service on the 2017 loan. The revenues presented did not include other hospital revenues that are pledged to the 2014 through 2016 loans, which includes more than \$16 million of 2017 gross revenues from the Specialty Clinic which are available to make debt service payments. Estimated coverage ratio is 2.71x for the 2017 loan. Payments would be structured in approximately equal monthly amount necessary to fund the debt service requirement. The Bond Bank will require a 1.25x coverage test on any additional parity debt. There will also be a requirement for a coverage test on total debt of the program to help reduce coverage concerns on subordinate debt.

Mr. Pierce went over future capital plans of KP. \$10.6 million in solid waste bonds were approved by voters in October 2016, the first series was issued in April 2017 in the amount of \$6 million, the second series is expected to be issued in 2022. \$4.4 million in central emergency service area GO bonds were approved by voters in October 2015, the first two series of these bonds were issued in February 2016 in the amount of \$2.8 million, with remaining expected to be issued in 2019. Central Emergency Services area is also projecting that in 2021 it will remodel Station #1, with estimated cost of \$10.9 million, that is anticipated to

be funded with a combination of sources, including bond proceeds. Mr. Pierce presented a breakdown of recent State-Aid intercept with KPB total revenue subject to intercept of \$95.1 million, fiscal year 2018 debt service of 16.5 million (including estimate for 2017 loan), providing a debt service coverage ratio of 5.75x. Mr. Pierce stated that based on the assessment, the security offered by KPB, as set forth in KPB's loan application, provides sufficient security to justify approval of the application. The subordinate lien net revenue pledge provides adequate coverage of the Bond Bank loan. The Bond Bank will require that a debt service reserve fund, held by the Bond Bank's trustee, be funded at closing. The funding of the loan will be contingent upon the notification to KPB that the State has issued the CON. Mr. Welles asked if there was any other senior debt outside of what the Bond Bank currently holds. Mr. Pierce mentioned there are leases outstanding, but no other material senior debt. Mr. Welles asked about the drop in acute patient care days, and if you added back non-acute patient care days to the total, would that value remain steady year-over-year. Ms. Hinnegan, an assistant controller at CPGH, confirmed an increase in non-acute patient days, but total patient days decreased 3% over the previous year; however, there was confirmation that CPGH projects gross revenue to increase over the prior year (2017 unaudited) due to completion of records transferring into an electronic format. Ms. Leary asked a question on the use of net revenues in this instance, as opposed to gross revenues. Ms. Cartledge, bond counsel for KPB, noted that this allows operations and maintenance to continue-on since there was sufficient coverage shown under the analysis presented. Mr. Pierce recommended that the Bond Bank's loan agreement contain a total, or global, coverage test since the Borough's original ordinance approved by the assembly doesn't contain that concept. Mr. Welles moved to approve the \$28,955,000 million loan to the Kenai Peninsula Borough, Central Peninsula General Hospital, contingent upon the receipt of the CON, and Ms. Leary seconded the motion. Mr. Chapman abstained from the vote since he submitted the application on KPB's behalf before joining the Board of Directors. There was no additional discussion. Mr. Williams called the vote, and there were four 'yes' votes, the loan was approved unanimously by voting board members, there was one "abstain" from Mr. Chapman.

AMBBA Resolution Number 2017-03 – Authorizing Bond Issuance

Mr. Blonde introduced Resolution 2017-03, a series resolution authorizing the issuance of general obligation bonds, the 2017 Series Three of the Alaska Municipal Bond Bank. The 2017 Series Three is proposed to be issued in an

aggregate principal amount of not to exceed \$28,955,000. Mr. Blonde mentioned that prior loans from the Bond Bank have a senior lien on all hospital revenues, this loan will have a subordinate lien on all hospital revenues, excluding the Specialty Clinic revenues on a net revenue basis. Resolution 2017-03 authorizes the Chairman and Executive Director to take actions necessary to issue the bonds, which includes, but is not limited to, determining the method of sale (negotiated versus competitive). The authority given by the resolution expires after 120 days. The preliminary official statement will be supplied to the board at a later date, before posting publicly. Mr. Hladick asked why 120 days was chosen under these circumstances. Mr. Blonde responded that it was mostly based on the uncertain CON decision timeline. Mr. Mitchell added that there is a standard approach to limit delegations of authority, in an effort to not see significant changes from mostly a timing standpoint. Mr. Mitchell discussed the factors in determining the method of sale. Since the transaction contains one borrower, and the scale is relatively small, this would lend itself well to a competitive sale, but would be discussed further with the financial advisor. The true interest cost on the 2017 Series Three Bonds shall not exceed 4.5 percent. Mr. Welles made a motion to approve AMBBA Resolution 2017-03, and Ms. Leary seconded the motion. Mr. Williams conducted a roll call vote and the motion passed unanimously with five yes votes.

WFG Post Sale Summary for Series 2017 One and Series 2017 Two

Mr. Pierce presented a summary for the most recent Bond Bank issuance on April 12, 2017 – \$12,795,000 General Obligation Bonds, Series 2017 One, and \$31,655,000 General Obligation Bonds, Series 2017 Two. The 2017 Series One bonds were sold by negotiated sale to Bank of American Merrill Lynch (BAML) as senior manager with Goldman Sachs (Goldman) as co-manager. The roles were reversed for the 2017 Series Two bonds (Goldman as senior, BAML as co-manager). Mr. Pierce presented the TIC on the 2017 Series One transaction, 2.8599%, and compared to other recent issues. Average life was 7.287 years, and there was an underwriter cost of \$3.46 per \$1,000. Mr. Pierce mentioned the 2017 Two bonds are subject to the alternative minimum tax, and therefore are not as comparable in some respects to the other Bond Bank series presented in the table. The tone of the municipal market was improving in the weeks leading up to the sale, with rates dropping 30 to 40 basis points from mid-March until mid-April. Mr. Pierce presented a table depicting Bond Bank and MMD scales for sample maturities of the 2017 One bonds with a comparison to the yield spreads to the MMD for the 2015 Series One through the 2016 Series Three bonds, with current

spreads slightly tighter. On the 2017 One bonds BAML serialized the 2034 through 2037 maturities rather than a single 2037 term bond. Goldman marketed the 2017 Two bonds, subject to the alternative minimum tax, at a 30 basis point spread to the 2017 One bonds. Both BAML and Goldman made minor 1-3 basis point adjustments, as well as couponing structure to clean up maturities that garnered less interest. BAML and Goldman were both willing to underwrite unsold bonds, after adjustments, and the Bond Bank gave a verbal award to both parties. The proceeds of the 2017 One bond sale were provided to two borrowers, KPB, which had two separate loans, and the City of Seward. The estimated gross savings achieved by these participants totaled over \$800,000. The proceeds of the 2017 Series Two bond sale were provided to the City of Unalaska and the City of Whittier. The estimated gross savings achieved by these participants totaled over \$3.6 million. No additional deposit to the Bond Bank's 2005 Resolution Reserve was necessary given the cash and surety position at time of closing. The transaction closed on April 27, 2017.

Finance Director's Report:

Mr. Williams presented a draft of the fiscal year 2017 financial statements, currently being audited, with an expectation to receive the final opinion in one day (September 29, 2017). Mr. Williams mentioned he would send the Board a completed audit once in-hand. Mr. Williams noted the subdued investment return on reserves and the custodian account, continuation of expenses associated with payment of interest on reserve obligations, and adjustments related to accrued interest payable on new loans. During fiscal year 2017, the surety coverage was increased on the 2005 reserve, with funding levels allowing the Bond Bank to make payments on reserve obligations. Mr. Williams mentioned that contracts for Accounting and Compilation and Annual Audit are expiring, and the Bond Bank will undergo the RFP process to secure contracts for future fiscal years. Returns were presented through June 30, 2017 on reserve funds and the custodian account. Mr. Welles asked if it would be beneficial to continue discussion on the investment policy statement since the last revision. Mr. Mitchell responded that it would be beneficial to address the investment policy statement in combination with a cash forecasting model to highlight length of security ownership and anticipated cash needs.

Executive Director's Report

Mr. Mitchell reported on the following items that were not covered in the September 28, 2017 Agenda:

On July 21, 2017 Wildflower Court provided the attached review and analysis report in response to a failure to meet their rate covenant. This was the prescribed remedy for failing to meet coverage and the Wildflower Court staff acted diligently to comply. This was likely the most thorough response to a failed debt service coverage test that I've seen.

On July 21, 2017 Governor Walker wrote the attached letter to former Board Member Mark Pfeffer for his service on the Board.

FY 2017 results - In FY '17 the Bond Bank funded \$280.7 million of loans (\$255 million of par bonds) to 17 borrowers. Bond Bank participation in these loans is estimated to have saved over \$41.2 million in total interest expense with a present value of \$20.3 million.

YKHC Dr. Paul John Calricaraq Project - As of September 1 the project reached 95% construction documents. Approximately \$36 million has been spent on design and construction, the roofing and sheathing are being installed to the steel frame, and the building schedule is on track.

In August and September Ryan and I worked with the City of Soldotna to determine if they would issue a \$2.5 million revenue bond through the Bond Bank. After extensive consideration, it was determined that the structure of the City's enterprise would need to be modified to allow for a revenue bond issue. This determination combined with the availability of other financing alternatives including pay as you go for the City resulted in the City's withdrawal from consideration of using the Bond Bank.

The contracts for Trustee and Investment Manager are being optionally extended for a year per the original RFPs.

Mr. Mitchell acknowledged Mark Pfeffer's service on the board for 17 years, and recognized that he was an instrumental part of the Bond Bank's success over that time period. Mr. Mitchell wants to work towards a goal of having the Board members attend a retreat, and recommends inviting Mr. Pfeffer to participate.

Mr. Mitchell will travel to King Cove to look at their hydro projects, and meet with city officials. King Cove is talking about the potential of AEA's participation in that project, with final participation being replaced by the Bond Bank. Discussions are ongoing.

Mr. Mitchell mentioned he's on the City and Borough of Juneau's (CBJ) exploratory committee for reviewing an assisted living facility. A non-profit in CBJ is looking at constructing an assisted living and memory care facility with the potential to house approximately 80 beds. They are working with Marathon, which is a management firm that has facilities in Washington State. The estimated cost is \$28 million. The project would be difficult to finance through conventional means. The analysis on the construction and management potential continues. CBJ may bring this project in front of the Bond Bank in the future.

VII. PUBLIC COMMENTS

There were none.

VIII. BOARD COMMENTS

Mr. Welles welcomed the new Board members.

ADJOURNMENT

Mr. Gursey adjourned the meeting without objection at 12:21 p.m. ADT.

Luke Welles, Chairman

Alaska Municipal Bond Bank
Application Credit Review Summary Page

Applicant:	Northwest Arctic Borough
Loan Amount:	\$12,700,000
Project Type:	School capital improvements
Project Description:	The Borough will use the Bond Bank loan to construct a new K-12 school approximately 8 miles from the town of Kivalina. The relocation of the school is necessary due to storm-driven coastal erosion and rising sea levels that threaten the existing school facility site. Construction of the Kivalina school is dependent on the construction of a new access road. The road construction project is managed by the Alaska Department of Transportation as a separate project from the Kivalina school project. The school project schedule is dependent on the road project completion.
Term of Loan:	20 years
Loan Security:	Borough's full faith and credit
Revenues Expected to Repay Loan:	Teck Alaska, Inc. payments in lieu of taxes
Estimated Annual Revenues for Repayment:	Approximately \$14 - \$18 million
Estimated Annual Debt Service:	\$900 thousand
Total Bond Bank Annual Debt Service (FY 2019 estimate, does not reflect state debt service reimbursement, where applicable):	\$6.945 million
Most Recent FY Debt Service Coverage Ratio:	N/A
Most Recent FY State-Shared Revenues (SSR):	\$41.3 million
Debt Service Coverage of AMBB DS from SSR:	5.95x
Loan Subject to State Debt Service Reimbursement:	No (the Borough received an 80% grant for the project)
Estimated Borrower Savings (Gross):	\$1.36 million
Estimated Borrower Savings (Present Value):	\$0.97 million
No Litigation Letter Received:	Yes

Loan Application Evaluation

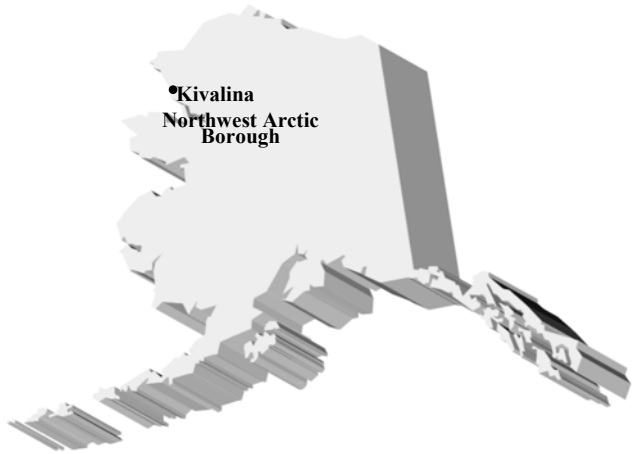
Northwest Arctic Borough

Introduction

The Northwest Arctic Borough (the “Borough”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a General Obligation Bond Loan of \$12.7 million. The following is our overview of the project and security provisions associated with the loan from the Bond Bank to the Borough.

The Project

The Borough will use the Bond Bank loan as a portion of the funding to design, acquire property, conduct site preparation, renovate, construct, install and equip educational capital improvements consisting of the Kivalina School Project. The project involves constructing a new K-12 school on an approximately 16 acre site 8 miles from the current town site of Kivalina. This project is among those approved by Borough voters through Proposition One, adopted on February 29, 2000. The total school construction project is estimated to cost in excess of \$63 million, with the state contributing 80% toward the project cost.



Proposition One authorized the Borough to issue up to \$100,000,000 for “the purpose of planning, designing, acquiring property for, site preparation, constructing, acquiring, renovating, installing and equipping educational capital improvements in the Borough.” Thus far, including the loan associated with this application, the Borough will have borrowed \$92,930,000 against that voter authorization.

Payments in Lieu of Taxes

The Borough’s principal source of revenue is a payment in lieu of taxes (“PILT” payments) received from the Red Dog Mine, operated by Teck Alaska, Inc. (“Teck”). The Red Dog Mine is an open-pit lead and zinc mine owned by NANA Regional Corporation, a corporation established under the Alaska Native Claims Settlement Act, and leased by Teck.

Teck and the Borough entered into a First Amended, Restated Contract for Services effective September 15, 1996 (the “PILOT Agreement”). The PILOT Agreement was renegotiated in August 2000 and again in October 2003, substantially increasing payments. By the terms of the 2003 revised PILOT Agreement, Teck agreed to make payments on a quarterly basis to the Borough. On June 28, 2011, the Borough and Teck Alaska amended this agreement. Teck Alaska agreed to pay the Borough \$8,000,000 on June 30, 2011 with \$200,000 payment escalations in each fiscal year through June 1, 2015. In addition to the payments stated above, Teck Alaska agreed to pay the Borough a zinc price escalator payment based on the price of zinc. The agreement expired on December 31, 2015.

In 2016 Teck operated the mine without an agreement with the Borough and filed a lawsuit against the Borough challenging the Borough’s authority to levy a severance tax against Teck. In May 2017 the Borough announced that it had reached a settlement with Teck on a new 10-year payment in lieu of taxes agreement, beginning effective January 1, 2016 and extending to December 31, 2026, with a five year renewal option.

The mine is the largest zinc mine in the world and is a significant source of revenue for Teck. Red Dog's cost structure places it in the bottom quartile on the global zinc cost curve, making it most able to weather fluctuations in world-wide zinc prices.

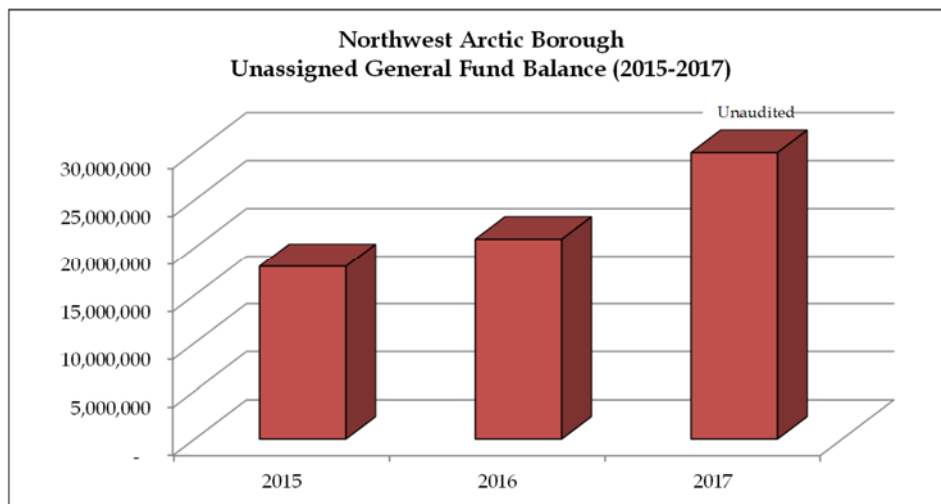
The new agreement will provide an increase in annual payments to the Borough, facilitating enhanced benefits and long-term sustainability for the region including, funding aimed at investment in the 11 Borough villages, while also supporting the Red Dog mine's long-term viability.

The new agreement has a total estimated value in the range of \$20 - \$26 million per year over 10 years, comprised of two major components:

- ◆ An annual payment to NAB based on a percentage of Red Dog's fixed asset value, with an estimated average value in the range of approximately \$14 - \$18 million per year.
- ◆ Creation of a new Village Improvement Fund (VIF) with an initial investment of \$11 million for calendar year 2016, and funding in subsequent years of between \$4 - \$8 million, based on a percentage of Red Dog's gross profit. The VIF will be administered by NAB, with input from the 11 villages, and be applied towards community programs, services, infrastructure, and long-term sustainability.

The Agreement exempts Teck Alaska from tax payments to the Borough for the Red Dog Mine for the 10-year agreement term.

The following graph presents the Borough's unassigned General Fund balance for the years 2015 through 2017. Figures for 2017 are, at this point, in draft form.



Based on unaudited fiscal year 2017 results, unassigned General Fund balances amount to 223% of General Fund expenditures and transfers out, which is an extraordinarily high level of unassigned reserves.

Assessed Valuation

The Borough levies no property taxes. It does levy a tobacco excise tax that produces approximately \$500 thousand annually. The Borough receives payments in lieu of taxes from Teck related to the Red Dog Mine and from the Federal Government related to the large amount of publicly held land in the Borough. The Borough's assessed value is \$766.5 million as of January 1, 2017.

State Aid Intercept

The Bond Bank has the authority to intercept state revenues that would otherwise flow to an underlying borrower in the event that a borrower failed to make timely payment on a Bond Bank loan. The state aid intercept is a significant credit strength. The table below presents the Borough's revenues subject to intercept compared to forecast fiscal year 2019 debt service, including the 2018 loan.

Shared Taxes and Fees	\$0
Dept. of Transportation Reimbursement	\$0
Reimbursement and Other Education Funding	\$4,118,853
Education Support Funding	\$36,324,476
Matching Grants	\$554,653
Community Jails	\$0
PILT Transfers	\$0
Revenue Sharing	\$339,350
Total Revenue Subject to Intercept	\$41,337,332
Fiscal Year 2018 Debt Service (includes 2017 Loans DS)	\$6,944,790
Debt Service Coverage	5.95

Security and Repayment

The Borough has pledged its full faith and credit to the repayment of the loan. It has pledged to levy, without limit, an ad valorem tax on real and personal property, sufficient to repay the loan. The Borough currently levies no property taxes and therefore any such levy to support the loan would be an entirely new tax subject to the usual concerns about the mechanics of imposing and collecting a new tax. It should be noted that the assessed value of the Borough, currently \$766.5 million, is concentrated primarily in the Red Dog mine.

The Borough expects payment for the loan to come from the PILT payments made by Teck. The Red Dog mine is currently operating under agreements with NANA and AIDEA. Given world wide projections for zinc and the known sources, the Red Dog mine is considered a very efficient mine, which bodes well for the mine's continued operation.

The project financed by the 2018 loan will not receive debt service reimbursement payments from the State. Rather, the State has provided the Borough with a grant for the project. The total project cost is estimated at \$63.1 million, of which the State has provided a grant in the amount of \$50.5 million.

Borough's Future Debt Plans

As stated previously, Borough voters have authorized \$100 million of school general obligation bonds. The Borough's loans from the Bond Bank including the 2018 funded loan, totaling \$92,930,000, are the Borough's only outstanding general obligation debt.

In order to proceed with the Kivalina School project, a road to the school site needs to be constructed, a project that will require tens of millions of dollars in funding. The road is considered both a path to the school site and an evacuation route for residents. The cost of the road project could range from \$40 million to \$70 million, according to the state Department of Transportation and Public Facilities.

Estimated Borrower Savings

Savings to the Borough as a result of borrowing through the Bond Bank are estimated at approximately \$1.359 million or \$966 thousand on a present value basis. Savings are a result of lower costs of issuance that the Borough will face as a result of issuing through the Bond Bank, as well as significantly lower assumed yields using the Bond Bank, versus what are assumed to be non-investment grade rates if the Borough issued on its own.

Statement of No Litigation

A statement of No Litigation from the Borough's Attorney, Matt Mead of the firm Landye Bennett Blumstein LLP accompanied the Borough's application. The letter states that "no litigation is pending (or to our knowledge, threatened) against the Borough in any court in any way... affecting the corporate existence of the Borough ... seeking to restrain or enjoin the issuance, sale or delivery of the Borough's General Obligation Kivalina School Bond... or the right of the Borough to levy or collect taxes pledged or to be pledged to pay the principal of and interest on the Bond... or affecting the validity or enforceability of the Bond or any Loan Agreement between the Borough and the Alaska Municipal Bond Bank..." The letter is dated February 20, 2018.

Analysis and Summary

There are four fundamental security components associated with the Borough's repayment to the Bond Bank: The Borough's unlimited tax pledge; the PILT payments by Teck; the Bond Bank's ability to intercept state-shared revenues; and the State Reimbursement of a significant portion of the debt service associated with education-related capital improvements (although no such reimbursement exists for the 2010 or 2018 loans). None of these components, by themselves would be considered an investment grade credit.

The Borough is dependent on the continued operation of the Red Dog mine for repayment of its debt. The Red Dog mine is one of the world's largest and most efficient, it seems likely that operation will continue as planned.

The history of State funding for the reimbursement program is good, but has been under pressure during periods when the State has struggled to balance its budget. Furthermore, the state intercept provides significant comfort that the Bond Bank would be able to meet the obligations to its bond holders in a timely fashion.

Previously, the Borough has agreed to issue any future general obligation debt through the Bond Bank. This condition provides the Bond Bank with control over the timing and amount of debt issued by the Borough and will hold through the term of the existing PILT Agreement which extends to November 2026.

Lastly, the Borough has demonstrated fiscal prudence in establishing and building its General Fund balance in recent years. The 2017 agreement with Teck, which includes both an escalation of revenues dedicated to Borough operations as well as the establishment of the Village Improvement Fund, place the Borough on a firmer financial footing than has been the case in several years. Unassigned General Fund balances have increased 66% from fiscal year end 2015 to fiscal year end 2017 (unaudited).

Based on the Borough's general obligation pledge, the Borough's very healthy General Fund balance, the new PILT agreement, and the Borough's agreement to issue future general obligation bonds through AMBB, I recommend approval of this loan application subject to identification of funding for the road to the proposed school site. The uncertainty associated with the timing for the Borough to secure that funding necessarily means the timing of the Bond Bank loan for the school project is unclear.

If you have any questions regarding our analysis, please feel free to call me at 503-719-6113.

For Western Financial Group, LLC

A handwritten signature in black ink, appearing to read "Chip Pierce", with a horizontal line extending to the right.

Chip Pierce

Northwest Arctic Borough Economic and Demographic Information

In 1986, the Northwest Arctic Borough was incorporated. It became a Home Rule Borough in 1987. The area of the Borough totals approximately 35,863 square miles of land and 4,799 square miles of water. It is comprised of the Kotzebue Sound and cities along the Noatak and Kobuk Rivers in Northwest Alaska. The area has been occupied by Inupiat Eskimos for at least 10,000 years.

The current population of the Borough, based on the Department of Labor's 2017 estimate, is 7,850. Alaska Natives represent 82% of the population. The Borough population is primarily Inupiat Eskimo, and subsistence activities are an integral part of the lifestyle. Caribou, beluga whale, seal and fish are important subsistence foods. During the 2010 U.S. Census, there were 2,707 total housing units, and 29.1% of these were vacant and 68.8% of those vacant units were designated by being used seasonally. The median household income was \$63,971, per capita income was \$21,543 and 22.8% of residents were living in poverty.

Kotzebue Sound was first explored by Europeans in 1818 by the German Lt. Otto Von Kotzebue on behalf of Russia. In 1899 a post office was established in Kotzebue.

Most cities in the Borough developed as supply stations for Interior Alaska gold mining. Activities related to transportation, retail, services, oil and minerals exploration and development contribute to the economy.

The Red Dog Mine is the largest economic project in the region, and provides approximately 600 full-time direct jobs and an estimated \$39.3 million of wages in the Borough in 2015. The mine is the largest producer of zinc concentrate in the world. The mine is owned by NANA Regional Corporation and leased to Teck Alaska, Inc. The mine will mark its thirtieth anniversary in 2019. The mine is expected to continue producing until at least 2031.

Government services provide nearly half of the employment in the Borough. The largest employers are Teck, Nana Regional Corporation, the Northwest Arctic Borough School District, Maniilaq Association, Veco Construction and Kikkiktagruk Inupiat Corporation. Subsistence food-gathering and Native craft-making are the primary activities in the smaller communities of the Borough. 155 borough residents hold commercial fishing permits.

The City of Kotzebue is the transfer point between ocean and inland shipping for northwest Alaska. While there is no natural harbor, and it is ice-free for only 3 months each year, it offers access to the river system. Deep draft vessels must anchor 15 miles out, and cargo is lightered to the docking facility. For several years the Borough has been evaluating the viability of deepening the port to avoid lightering. Local barge services provide cargo to area communities. Ralph Wien Memorial Airport supports daily jet service and air taxis to Anchorage. The area experiences a transitional climate, characterized by long, cold winters and cool summers. Temperatures range from -52 to 85. Snowfall averages 47 inches, with total average precipitation of 9 inches per year. Communities located within the Borough include Ambler, Buckland, Deering, Kiana, Kivalina, Kobuk, Kotzebue, Noatak, Selawik, and Shungnak. There are 13 schools in the area attended by 2,100 students.



Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or general obligation bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information

A. Name of Governmental Unit (Applicant):

Northwest Arctic Borough

B. Type of government (home rule, first class, authority, etc.):

Home Rule

C. Contact Person for the government:

Name:		Title:	
Clement Richards		Mayor	
Address:		City:	State: Zip:
163 Lagoon Street		Kotzebue	AK 99752
Phone:	Fax:	E-mail:	
907-442-8201	907-442-2930	crichards@nwabor.org	

D. Applicant's Bond Counsel:

Name:		Title:	
Thomas Klinkner		Bond Counsel	
Address:		City:	State: Zip:
510 L Street, Suite 700		Anchorage	AK 99501
Phone:	Fax:	E-mail:	
907-360-9303	907-276-3680	tklinkner@bhb.com	

E. Applicant's Financial Advisor or Underwriter (if applicable):

Name:		Title:	
Not Applicable			
Address:		City:	State: Zip:
Phone:	Fax:	E-mail:	

II. Issue Information

A. Total amount of bond purchase request:

\$ 12,700,000

B. Total term of requested loan: 20 years

C. Preferred principal and interest payment months: January ☐ principal ☐ interest July ☐ only

D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition. ☒ Attached See Section II (D) Resolution approving special election

If a bond election has been held, provide the votes for and against the issue(s):

Yes:	No:	Percent of registered voters casting ballots:
782	304	29%

Does the municipality intend to pledge any specific assets or taxes in addition to property tax? Provide details of the additional security. ☒ Attached See Section II(D)(2) Pledge of Taxes

E. Will you need interim financing?

1. If applicable, provide interim financing information:

Amount:	Maturity:	Rate:	Lender:
Not Applicable			

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. ☐ Attached

F. Describe project to be financed, including the information requesting in 1-6. If this information is available in a project feasibility study, you may reference and attach it.

- Are engineering and specifications completed? ☐ Yes ☒ No
- If not, when are they projected for completion? No later than August 2020
- Have construction bids been awarded? ☐ Yes ☒ No
- Are there additional state or local approvals required? ☒ Yes ☐ No
- Describe timing/scheduling plan: See Section II (F)5 Kivalina Schedule

6. What is the projected completion date? August 2022

G. Sources of uses of funds

Sources of Funds

Bonds (this application)	\$12,700,000
Federal Funds*	\$
State Funds*	\$50,475,822
Applicant's Funds	\$
Other (specify)	\$
Total:	\$63,175,822

Uses of Funds

Construction	\$53,050,000
Engineering	\$4,727,170
Contingency	\$2,651,107
Cost of Issuance	\$35,000
Other	\$2,666,500
Total:	\$63,129,777

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:

See Section II (G)1 Use of proceeds

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. ☒ Attached *See Section III (A) Official Statements*

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? ☐ Yes ☒ No

If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? ☐ Yes ☒ No

If yes, please attach details. ☐ Attached

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? ☐ Yes ☒ No

If yes, please attach an explanation. ☐ Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? ☐ Yes ☒ No

If yes, please attach an explanation. ☐ Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. *Currently, the only planned bond issuances with the 2000 authorization are for the Kivalina School.*

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy.

☒ Attached *See Section III (G) NAB Bond Analysis for Kivalina School Bond*

H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.) ☒ Attached *See Section III (H) Local Economy*

Are any of the community's major employers expected to make changes in work force or operations?

☐ Yes ☒ No

If yes, provide an explanations. ☐ Attached

J. Please provide population figures for your community for the last five years. Indicate the source of your figures.

Year	Population	Source
2017	7850	Alaska Department of Labor
2016	7937	Alaska Department of Labor
2015	7883	Alaska Department of Labor
2014	7810	Alaska Department of Labor
2013	7808	Alaska Department of Labor

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. *NAB does not levy a property tax.*

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been performed). ☒ Attached *See Section III (M)*

N. Provide your current year's budget. ☒ Attached *See Section III (N) FY18 Budget*

O. Provide your capital improvement plan. ☐ Attached *NAB does not have a capital improvement plan.*

P. Provide any other financial or economic information that will assist evaluation of your application.

☒ Attached *See Section III (P) Signed PILT and MOC*

IV. Legal Information

A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any court in any way:

1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
2. against your government or involving any of the property or assets of or under the control of your government, which , whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.

B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.

C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Clement Richards

Name (print)

Mayor

Title



Signature

2-20-18

Date of Application

Please return all applications to:

Deven Mitchell

Alaska Municipal Bond Bank Authority

Department of Revenue

PO Box 110405

Juneau, AK 99811-0405

(907)465-2388 phone

(907)465-2389 fax

deven_mitchell@revenue.state.ak.us

**NORTHWEST ARCTIC BOROUGH
ORDINANCE 17-03**

**AN ORDINANCE OF THE NORTHWEST ARCTIC BOROUGH
ASSEMBLY APPROVING A PAYMENT IN LIEU OF TAXES
AGREEMENT FOR THE RED DOG MINE WITH TECK
ALASKA INCORPORATED, AND FOR RELATED PURPOSES.**

WHEREAS: the Northwest Arctic Borough is a home rule borough organized under its Charter and in accordance with the laws of the State of Alaska; and

WHEREAS: under Title 7.10 of the Borough Code, the Borough levies a Severance Tax for the privilege of mining within the Borough; and

WHEREAS: under the Borough's Severance Tax, codified at Northwest Arctic Borough Code (NABC) § 7.10.030(b), execution of a payment in lieu of taxes (PILT) agreement exempts a person from Borough taxes; and

WHEREAS: under NABC § 7.10.030(b), a PILT agreement shall produce revenue within a reasonable range of the amount that would be due under the Severance Tax in the absence of such a PILT agreement, and the Assembly shall have sole discretion to consider various economic factors in determining what constitutes a reasonable range for any PILT agreement; and

WHEREAS: the Borough Assembly determines that the PILT and Memorandum of Commitment Agreements for approval under this Ordinance meet this standard in NABC § 7.10.030(b); and

WHEREAS: the Borough and Teck Alaska Incorporated have previously executed PILT Agreements, the last of which expired December 31, 2015; and

WHEREAS: in January 2015, Teck Alaska sued the Borough challenging the validity of the Borough's Severance Tax and alleging breach of the 2011 PILT Agreement; and

WHEREAS: on February 3, 2017, the Borough and Teck agreed to stay the lawsuit proceedings following tentative agreement on term sheet to serve as the basis for preparation of the PILT Agreement and Memorandum of Commitment subject to approval by this Ordinance; and

WHEREAS: execution of the 2016 PILT Agreement would require Teck to dismiss its lawsuit against the Borough; and

WHEREAS: the Assembly believes that resource and economic development are critical to the future of the Borough and that providing stability in a long-term contract that provides for payments to be made to the Borough in lieu of taxes is in the best interest of the Borough and Teck Alaska; and

WHEREAS: the Assembly confirms the attached PILT and Memorandum of Commitment meet the Borough Code requirements for execution of a PILT agreement; and

WHEREAS: the Assembly, after due and careful consideration, believes that it is in the best interest of the Borough to approve the PILT Agreement and Memorandum of Commitment with Teck Alaska attached to this ordinance, effective January 1, 2016.

NOW THEREFORE BE IT ENACTED: the Northwest Arctic Borough Assembly approves the attached Payment in Lieu of Taxes Agreement and Memorandum of Commitment with Teck Alaska Incorporated, both effective as of January 1, 2016, in substantially the same form as attached to this Ordinance; and

BE IT FURTHER ENACTED: the Mayor is hereby authorized to execute the attached PILT Agreement and Memorandum of Commitment with Teck Alaska for and on behalf of the Northwest Arctic Borough, subject to any technical changes as may be appropriate.

PASSED AND ADOPTED THIS 25 DAY OF APRIL 2017.



Carl Weisner, Assembly President

PASSED AND APPROVED THIS 25 DAY OF April 2017.



Clement Richards, Sr., Mayor

SIGNED AND ATTESTED TO THIS 25th DAY OF April 2017.

Stella Atoruk
Stella Atoruk, Borough Clerk

ATTEST:

First Reading: April 11, 2017.
Second Reading: April 25, 2017.



AGREEMENT FOR PAYMENTS IN LIEU OF TAXES

This Payment in Lieu of Taxes Agreement (the "Agreement") between the Northwest Arctic Borough, a home rule borough organized under the laws of the State of Alaska ("NAB"), and Teck Alaska Incorporated, a corporation organized under the laws of the State of Washington ("Teck"), is entered into on 25th day of April 2017 and made effective as of January 1, 2016 (the "Effective Date").

RECITALS

1. Teck operates the Red Dog Mine (the "**Red Dog Mine**") on land owned by NANA Regional Corporation, Inc. in the Northwest Arctic Borough.
2. NAB levies upon Teck and other persons, for the privilege of engaging in mining in the borough, a tax denominated as a severance tax pursuant to Chapter 7.10 of the Northwest Arctic Borough Code (the "**Code**").
3. Pursuant to Section 7.10.030 of the Code, Teck is entitled to an exemption from taxation under Chapter 7.10 of the Code if Teck and NAB enter into an agreement for payments in lieu of taxes.
4. Teck has brought certain claims against NAB, challenging the constitutionality and validity of the severance tax under the Code applicable to Teck's operations at the Red Dog Mine in *Teck Alaska Incorporated v. Northwest Arctic Borough*, Case No. 2KB-16-0013 CI (the "**Lawsuit**"), and NAB and Teck have been in discussions regarding alternatives to those claims including the entry into agreements for payments in lieu of taxes for the Red Dog Mine.
5. NAB and Teck wish to avoid the uncertainty of litigation and instead wish to enter into an agreement for payments in lieu of taxes for the Red Dog Mine, and a Memorandum of Commitment ("**MOC**") for additional payments, for concurrent periods of ten years commencing on January 1, 2016.

NAB and Teck therefore agree as follows:

ARTICLE 1 SCOPE AND TERM OF AGREEMENT

1.1 Scope of Agreement

This Agreement applies to the mining, processing, storage, transportation and sale of mineral resources and/or derived products from the Red Dog Mine, and does not apply to any other mining activities of Teck or its affiliates. "**Red Dog Mine**"

is defined as including all mining activities within the current mine boundary and all processing, storage, transportation, and selling activities relating to that mining.

1.2 Term of Agreement

This Agreement shall be effective as of January 1, 2016 and shall remain in effect for a period of ten (10) years, terminating immediately before January 1, 2026. The term of this Agreement may be extended for an additional period of five (5) years upon the mutual written agreement of NAB and Teck. This Agreement may be terminated by either party if the other party fails to cure a material breach of this Agreement within thirty (30) days of written notice by the other party. This Agreement may also be terminated by NAB on any termination for cause by NAB of the MOC.

ARTICLE 2 PAYMENTS TO NAB

2.1 Base Payments

- (a) Within three (3) days after execution of this Agreement, Teck shall pay to NAB for the year 2016 an amount equal to: (i) 3.75% of the value of all fixed assets of the Red Dog Mine, as determined in accordance with Generally Accepted Accounting Principles of the United States of America and reflected in Teck Alaska's audited financial statements dated December 31, 2015, and reported as *Land, buildings, and equipment – at cost, less: accumulated depreciation*, which sum equals (“**Initial Fixed Asset Value**”), \$14,330,000 *minus* (ii) \$11,200,000, which represents payments previously made by Teck to NAB and the Northwest Arctic Borough School District under a Stipulation and Order for Payment of Tax in the Lawsuit.
- (b) On or before June 1, 2017, and each subsequent June 1 during the term of this Agreement, Teck shall pay to NAB an amount equal to: (i) the value of all fixed assets of the Red Dog Mine, as determined in accordance with Generally Accepted Accounting Principles of the United States of America and reflected in Teck's audited financial statements for the preceding fiscal year and reported as *Land, buildings, and equipment – at cost, less: accumulated depreciation*, *multiplied by* (ii) the percentage opposite the payment year set forth below (and reduced by the amount of the half-year pro rata estimated payment made below):

Payment Year	Percentage
2017	3.80%
2018	3.85%
2019	3.90%
2020	3.95%
2021 – 2025	4.00%

- (c) On or before January 15 of each calendar year starting January 15, 2018, Teck shall make a payment in the set amount of \$7,500,000 that will be credited against the balance due and payable in June under Section 2.1 for that calendar year.

2.2 State Tax Payment Adjustments

If the State of Alaska creates a new tax or changes an existing tax applicable to Teck's Red Dog Mine operations, and the direct effect is to increase the tax rate applicable to Teck's Red Dog Mine operations while directing a portion of that new tax revenue to NAB, Teck will be entitled to claim a credit in the same amount of the new tax revenue received by NAB against its base payment obligation under Section 2.1 for that calendar year. For any subsequent year, the amount of this credit will be adjusted for any corresponding increase (or decrease) of tax revenue received by NAB.

2.3 Suspension or Abandonment of Red Dog Mine

- (a) In the event that Teck abandons or suspends all development, production, and operational activities relating to the Red Dog Mine for a period of time exceeding 12 months, Teck shall have the right to suspend its base payment obligations under Section 2.1 and payments under the MOC following the 12-month period and after providing notice to the Borough under Subsection (b) of this Section 2.3.
- (b) For purposes of construing this Section 2.3, Teck will be considered to have abandoned or suspended development, production, and operational activities relating to the Red Dog Mine upon ceasing commercial extraction and production from the Red Dog Mine and mill. Activities intended solely to preserve and protect equipment, facilities, and existing developments will not preclude a determination that Teck has abandoned or suspended development, production, and operational activities relating to the Red Dog Mine. The 12-month period of abandonment or suspension shall commence ten days after NAB receives written notice from Teck by

certified mail of such abandonment or suspension. During the 12-month period all the terms, conditions, and provisions set forth in this Agreement shall remain in full force and effect.

- (c) Upon expiration of the 12-month period of abandonment or suspension, Teck shall exercise one of the following options upon written notice to NAB:
 - i. to resume development, production, or operational activities and continue this Agreement in full force and effect;
 - ii. to forgo development, production, or operational activities, and continue the abandonment or suspension of development, production, and operational activities and terminate this Agreement; or
 - iii. to continue the abandonment or suspension of development, production, and operational activities and continue this Agreement in full force and effect.
- (d) In the event that Teck terminates this Agreement under Section 2.4(c)(ii), Teck shall cease to be exempt from NAB taxation as outlined in Section 3.1 of this Agreement, subject to all of its rights and reservations set forth in Section 3.2 of this Agreement.

2.4 Payments to Northwest Arctic Borough School District

Teck shall have no obligation to make any payments to the Northwest Arctic Borough School District under this Agreement and any such direct payments from Teck to the school district will be at its sole discretion, and not as a credit to its obligations under this Agreement.

2.5 General

- (a) All payments shall be in U.S. dollars by electronic funds transfer to the bank account or accounts designated to Teck in writing by NAB. Payments shall be considered received when credited to the account or accounts designated by NAB.
- (b) If any payment is late by more than five (5) business days, simple interest shall accrue on the delinquent payment at the rate of ten and one-half percent (10.5%) per year from the due date until paid. Partial payments shall be applied first to accrued interest and then to principal.

- (c) Teck shall keep books of account and other records, in reasonable detail and in accordance with Generally Accepted Accounting Principles of the United States of America, that accurately state the value of its fixed assets and include such other detail as is reasonably necessary to assess such value.
- (d) Teck shall promptly deliver to NAB audited financial statements prepared in accordance with Generally Accepted Accounting Principles of the United States of America upon their completion (but in any event by [April 30 following its fiscal year]) and shall allow NAB to inspect and audit Teck's books and records during normal business hours and upon reasonable notice in order to ensure compliance with this Agreement.

ARTICLE 3

TAX EXEMPTION; RESERVATION OF CLAIMS

3.1 Tax Exemption

Teck shall be exempt from NAB taxation of any kind, including without limitation a tax on its mineral resource extraction and the real or personal property associated with it at the Red Dog Mine, for the duration of this Agreement being in full force and effect.

3.2 Releases and Reservations Regarding Claims by Teck

- (a) Pursuant to an Order for Payment of Tax issued by the Superior Court, Second Judicial District, in the Lawsuit, Teck paid funds into an Escrow Account at First National Bank Alaska (the "**Escrow Account**"). The parties agree that upon execution of this Agreement by both parties, the parties will stipulate to an Order from the Superior Court releasing the funds in the Escrow Account to Teck. Upon issuance of this Order, the parties will execute and file a stipulation for dismissal of the Lawsuit without prejudice, with each party to bear its own costs and attorney's fees.
- (b) In the Lawsuit, Teck contends that the NAB's severance tax is not authorized by law and violates provisions of the Alaska and United States Constitution. The parties agree and acknowledge that neither party is waiving, releasing, or abandoning its claims and contentions regarding the legality or constitutionality of the severance tax, and both parties reserve the right to assert their respective claims or contentions following expiration or termination of this Agreement. The parties also agree and acknowledge that neither party is entering into this Agreement, or taking any other action or inaction, in reliance on any belief or assumption that the other party is waiving, releasing or abandoning its claims and contentions

concerning the legality or constitutionality of NAB's severance tax.

- (c) Specifically, but without limitation, NAB agrees that the following actions or inactions by Teck do not, and will not, waive, release or abandon any of Teck's claims or contentions regarding the legality or constitutionality of the severance tax; and that NAB is not taking action or inaction in reliance on any understanding, belief or assumption that Teck is waiving, releasing or abandoning its claims or contentions concerning the legality or constitutionality of NAB's severance tax by virtue of any of the following actions or inactions by Teck:
 - (i) dismissal of the Lawsuit;
 - (ii) entry into this Agreement;
 - (iii) performance under this Agreement;
 - (iv) willingness to enter into this Agreement without repeal of the severance tax;
 - (v) failure to assert any legal challenge to the severance tax while this Agreement is in effect; and
 - (vi) acquiescence in any decision or practice by NAB not to levy taxes against other potential taxpayers.
- (d) NAB specifically waives and disclaims any assertion of the equitable defenses of waiver, estoppel, or laches with respect to a future claim by Teck, or any successor in interest, challenging the legality or constitutionality of NAB's severance tax.

ARTICLE 4 APPLICABLE LAW; DISPUTE RESOLUTION

4.1 Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Alaska without application of principles of conflict of laws that would specify the use of other laws.

4.2 Dispute Resolution

Any disputes arising under this Agreement shall be resolved as follows:

- (a) a party, prior to bringing any claim in court, shall submit the claim to the other party for resolution through negotiation by NAB and the senior management of Teck; and
- (b) if the parties are unable to resolve a claim so submitted for resolution through negotiation within thirty (30) days of its submission, either party shall be entitled to bring a claim in any state or federal court of competent jurisdiction in the State of Alaska.

ARTICLE 5 MISCELLANEOUS

5.1 Cooperation and Mutual Support Opportunities

The parties recognize that to build a strong cooperative relationship, ongoing collaboration and mutual support between the parties in an open and transparent manner is essential. Therefore, the parties agree to work together to utilize the benefits of this Agreement and the MOC to utilize the benefit of these agreements toward advancement of initiatives of mutual benefit to the parties. Additionally, the parties will cooperate to develop a mutually agreed upon communications protocol related to the announcement and implementation of this Agreement.

5.2 Assembly Approval

This Agreement is not effective until approved by the NAB Assembly ordinance adopted in conformance with NABC § 7.10.030(B) and applicable law, and in compliance with the Alaska Open Meeting Law, A.S. §§ 44.62.310 and 44.62.312.

5.3 Amendments

This Agreement may not be amended, modified, varied or supplemented except by an instrument in writing signed by the parties.

5.4 Successors and Assigns

This Agreement shall inure to the benefit of and be binding upon the respective successors in interest of the parties. Neither party may assign any of its rights or obligations under this Agreement without the prior written consent of the other party.

5.5 Waiver

No failure to exercise or delay in exercising any right or remedy arising from this Agreement shall operate or be construed as a waiver of such right or remedy. Performance of any condition or obligation to be performed under this Agreement

shall not be deemed to have been waived or postponed except by an instrument in writing signed by the party who is claimed to have granted such waiver or postponement. No waiver by either party shall operate or be construed as a waiver in respect of any failure or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver.

5.6 No Third-Party Beneficiaries

The interpretation of this Agreement shall exclude any rights under legislative provisions conferring rights under a contract to persons not a party to that contract. The parties do not intend, and nothing in this Agreement shall otherwise be construed, to create any obligation or liability to, or any right of action or claim by, any person other than a party to this Agreement.

5.7 Rights and Remedies

The rights and remedies contained in this Agreement are cumulative and not exclusive of any rights and remedies provided by law.

5.8 Interpretation

- (a) Drafting. Each provision of this Agreement shall be construed as though both parties participated equally in the drafting of the Agreement. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.
- (b) Headings. The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular section.
- (c) Document References. References to an agreement, deed, instrument, license or other document, or to a provision contained in any of these, shall be construed, at the particular time, as a reference to it as it may then have been amended, varied, supplemented, modified, suspended, assigned or novated, except as otherwise provided in this Agreement.
- (d) Currency. References to all dollars in any form shall be a reference to the lawful currency from time to time of the U.S.

5.9 Expenses

Each party shall be responsible for and bear all of its own costs and expenses incurred in connection with the preparation and negotiation of this Agreement.

5.10 Scope

This Agreement constitutes the entire agreement between the parties relating to the subject matter of this Agreement and supersedes and replaces any provisions on the same subject contained in any other agreement between the parties, whether written or oral, prior to the Effective Date.


5.11 Counterpart Execution

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed an original for all purposes, *provided* that no party shall be bound to this Agreement unless and until both parties have executed a counterpart.

[signature page follows]

The parties are signing this Agreement on the date stated in the introductory clause to be effective as the Effective Date.

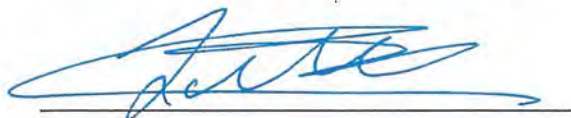
NORTHWEST ARCTIC BOROUGH



By: Clement Richards, Sr.

Title: Mayor

TECK ALASKA INCORPORATED



By: HENRI LOTIENT

Title: GENERAL MANAGER

MEMORANDUM OF COMMITMENT

This Memorandum of Commitment ("MOC") is entered into this 25th day of April 2017 ("Execution Date"), between the Northwest Arctic Borough ("NAB") and Teck Alaska Incorporated ("Teck"), and made effective as of January 1, 2016 (the "Effective Date"). This MOC is a statement of agreement between NAB and Teck outlining the terms and conditions for Teck's payments to a village improvement fund.

1. Background.

- (a) The Parties have agreed upon terms wherein Teck will support the NAB through the establishment of a payment in lieu of taxes and an annual payment into a newly created Village Improvement Fund.
- (b) NAB and Teck, simultaneously with the execution of this MOC, entered into that certain payment in lieu of taxes agreement (the "PILT") effective January 1, 2016.
- (c) This MOC is executed for the express purpose of outlining Teck's financial commitment with regard to NAB's establishment of a Village Improvement Fund ("VIF") through code ordinance, and establish the terms for Teck's payments into the VIF.

2. Term.

The MOC shall be effective as of January 1, 2016 and shall remain in effect for a period of ten (10) years, terminating immediately before January 1, 2026. The term of the MOC may be extended for an additional period of five (5) years upon the mutual written agreement of NAB and Teck. The MOC may be terminated by either party if the other party fails to cure a material breach of the MOC within thirty (30) days of written notice by the other party. This Agreement may also be terminated by either party on any termination for cause by either party of the PILT.

3. Village Improvements Fund.

NAB will establish a VIF targeted at critical infrastructure and programs for the 11 villages within the Northwest Arctic Borough: Ambler, Buckland, Deering, Kiana, Kivalina, Kobuk, Kotzebue, Noatak, Noorvik, Selawik, and Shungnak. NAB retains sole control of the VIF. NAB shall establish a consultation and review protocol and such committee(s) as may be required to involve the villages in the activities of the VIF, including determining the priority of projects and use of VIF funds. Such consultation and review protocol shall include meaningful participation from all eleven (11) of the villages within the NAB, fair distributions of funds, and ongoing public transparency and accountability of decision making, and shall set the framework for the following actions:

- a. NAB will establish an advisory body representative of the villages within the Borough in order to identify village service and capital improvement needs, plan and implement capital improvement and public service programs, and generally advise NAB regarding the VIF. The VIF may be used to fund reasonable pre-approved travel or per diem expenses of advisory body representatives.
 - b. NAB will establish written procedures to ensure reasonable village input into utilization of the VIF, meaningful participation of village representatives and the fair distribution of funds to villages. In addition, the written procedures shall identify the types of projects that would be eligible for VIF funding.
4. **Payment.** On the Execution Date, Teck will pay to NAB an initial payment of \$11 million, which represents Teck's total payment to be provided under the VIF for the 2016 calendar year. Thereafter, on June 1st of each year during the term, Teck will pay, or cause to be paid amounts based on the profitability of the Red Dog Mine for the previous calendar year. This contribution will be in amounts set forth below (but subject to a minimum annual payment of \$4 Million and a maximum annual payment of \$8 Million):

RDM EBIT (in USD) *	Applicable Percentage
0-200 million	1.25%
200 million- 400 million	2.00%
400 million – 600 million	2.50%
600 million – 800 million	3.00%
800 million and above	3.25%

* (1) "EBIT" is Teck's *Earnings before income taxes* as reported by Teck in USD in the *Statement of Earnings and Comprehensive Earnings* in its audited financial statements for Teck Alaska Incorporated; (2) rate applies at each applicable level, so if annual EBIT was \$1 billion, first \$200 million at 1.25%, \$200-400 million at 2% and so on.

5. **Reporting.** By April 30 of each calendar year during the term of this MOC, NAB shall make public written reports on the following: (1) a report detailing and accounting for VIF expenditures in each Village for the prior calendar year, including administrative costs, (2) a report detailing and accounting for VIF expenditures contemplated or budgeted in each Village for the current calendar year, including administrative costs, and (3) a report detailing future Village projects identified for VIF funding over the next three year period, including an

estimated schedule, priority of the project (in relation to other projects) and amount of VIF funding for each project. Each report shall provide the amount of each expenditure and describe the nature of the program, service, project, or purchase.

6. **Communication.** The parties will cooperate to develop a mutually agreed upon communications protocol related to the announcement and implementation of this Agreement and future communications related to any projects or initiatives funded directly as a result of the execution of this Agreement.
7. **Termination.** This MOC may be terminated by either party if the other party fails to cure a material breach of this MOC within 30 days of written notice of the breach by the other party.

The parties are signing this MOC on the date stated in the introductory clause to be effective as the Effective Date.

NORTHWEST ARCTIC BOROUGH



By: Clement Richards, Sr.

Title: Mayor

TECK ALASKA INCORPORATED



By: HENRI LETIER

Title: GENERAL MANAGER

NAB Bond Analysis for Kivalina School Bond

Note: Excludes DEED reimbursements on existing bonds. Annual Debt Service with \$12,700,000 bond was calculated with amortization schedule provided by Chip Pierce (Western Financial Group). Amortization schedule takes current bond market trends into consideration.

	Current	\$12.7 Million
Fiscal Year	Annual Debt Service	Annual Debt Service
2019	1,963,902	2,863,364
2020	1,962,104	2,864,566
2021	1,965,728	2,866,590
2022	1,114,539	2,013,201
2023	1,109,211	2,010,624
2024	853,569	1,756,482
2025	313,752	1,216,915
2026	312,753	1,214,916
2027	260,484	1,160,396
2028	257,485	1,158,897
2029	253,852	1,155,264
2030	244,584	1,145,522
2031		899,813
2032		901,363
2033		902,038
2034		900,038
2035		902,100
2036		902,069
2037		900,875
2038		898,519
Total	10,611,962	28,633,550

KIVALINA SCHEDULE

Architect Selection	Completed
Schematic Design	Completed
Kivalina School Design Complete	August 2020
Kivalina School Construction Bid	November 2020
Kivalina School Construction Starts	April 2021
Kivalina School Construction Complete	August 2022

DOT/PF KIVALINA EVACUATION AND SCHOOL ACCESS ROAD PROJECT

Note: The new Replacement School requires construction of a new access road. The road construction project is managed by DOT/PF as a separate project from the school project. The school project schedule is dependent on the road project completion. The FONSI – finding of no significant impact of the road was received by DOT/PF January 19, 2018. This will enable DOT/PF to apply for federal Department of Transportation TIGER grant funding for road construction. The DOT/PF project is on schedule at this time. Below is the DOT/PF Schedule:

Phase 1: Scoping	September 1, 2016 to January 1, 2016
Phase 2: Environmental Document	January 1, 2017- January 1, 2018
Phase 3: Design/Permitting/ROW	January 1, 2018 – March 1, 2019
Phase 4: Construction Mobilization	August 1, 2018 – October 1, 2018
Phase 5: Road Construction	March 1, 2019 – October 1, 2020

NO LITIGATION CERTIFICATE

I, MATT MEAD, HEREBY CERTIFY that:

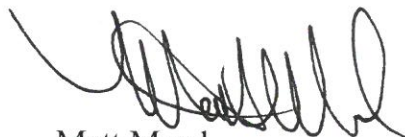
I am an attorney in the law firm of Landye Bennett Blumstein LLP, which is the duly appointed and qualified general counsel to the Northwest Arctic Borough, Alaska (the "Borough"), and that as of the date of this Certificate, based on such inquiry and investigation as we have deemed sufficient, no litigation is pending (or, to our knowledge, threatened) against the Borough in any court in any way:

(i) affecting the corporate existence of the Borough, or the titles of its officers to their respective offices, seeking to restrain or enjoin the issuance, sale or delivery of the Borough's General Obligation Kivalina School Bond (the "Bond"), or the right of the Borough to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the Bond, or the pledge thereof, in any way contesting or affecting the validity or enforceability of the Bond or any Loan Agreement between the Borough and the Alaska Municipal Bond Bank, or contesting the power of the Borough or its authority with respect to the Bond; or

(ii) against the Borough or involving the property or assets of or under the control of the Borough, which, whether individually or in the aggregate, involves the possibility of any judgment or uninsured liability which may result in any material change in the revenues, properties or assets, or in the condition, financial or otherwise, of the Borough.

DATED this 20th day of February, 2018.

LANDYE BENNETT BLUMSTEIN LLP



Matt Mead





2017 | ANNUAL REPORT



Dear Fellow Alaskans:

On behalf of the entire Board of Directors, I am pleased to report that the Alaska Municipal Bond Bank Authority (Bond Bank) completed another year of exceptional support to authorized borrowers within the State of Alaska during Fiscal Year 2017. Here are a few accomplishments we are particularly proud of:

- The Bond Bank is estimated to have saved \$41.2 million for authorized borrowers;
- The Bond Bank issued \$255.0 million in bonds, which resulted in approximately \$280.7 million in loans to communities, and a Regional Health Organization for refinancing loans or funding new projects;
- The Bond Bank entered into 27 loan agreements;
- Funded projects include health care facilities, ports, harbors, roads, and public services;
- The second Regional Health Organization loan of \$100.7 million was made, representing the largest single loan issued by the Bond Bank since inception

These 2017 results were developed by utilizing the Bond Bank's authority to capitalize on the financial strength of the State of Alaska to achieve high credit ratings, combining our authorized borrower bond issuances into larger more economic offerings, negotiating lower costs to issue bonds, and taking advantage of the favorable interest rate environment over the last year.

The Bond Bank generates funding by selling bonds on the national market, and using the proceeds to purchase bonds from authorized borrowers. For 42 years, the Bond Bank has provided a lower cost alternative for aiding political subdivisions within the State in financing capital improvement projects.

We find that many borrowers rely on the Bond Bank due to a lack of familiarity with the financial markets, while others are driven by the goal of seeking the lowest possible cost for their bonds. In providing this lower cost alternative, the savings achieved by the borrowing communities has directly reduced local taxpayer burden. The State of Alaska also benefits as when communities borrow through the Bond Bank at lower interest rates, the State of Alaska pays lower reimbursements rates for qualifying projects such as schools, transportation projects, and health care facilities.

We hope you share our pride in the Bond Bank's accomplishments during fiscal year 2017 and we look forward to helping serve all authorized Alaskan borrowers that seek our expertise and assistance in the future.

In accordance with Alaska Statute 44.85.100, the Bond Bank respectfully submits the attached report for fiscal year 2017. Within you will find recent activities and the financial condition of the Bond Bank.

Sincerely,
Luke Welles
Chairperson



The Alaska Municipal Bond Bank Authority

The Bond Bank is a public corporation of the State of Alaska created in 1975 with a mission of saving authorized borrowers money. The Bond Bank achieves this by selling bonds at interest rates lower than otherwise available, and by purchasing the borrowers' general obligation bonds, revenue bonds, or other obligations at the same rate.

The Bond Bank has a legal existence independent of and separate from the State of Alaska. Bonds issued by the Bond Bank are payable from pledged Bond Bank funds. (For more information please see Notes to Financial Statements, attached.)

The powers of the Bond Bank are vested in its Board of Directors. The membership of the Board consists of five directors representing both the public and private sector. The three private sector Board members are appointed by the Governor and serve four-year terms. They are joined on the Board by the Commissioner of Revenue and the Commissioner of Commerce, Community & Economic Development (or their assigned representatives).

The Board of Directors operates in accordance with the Bond Bank Act (AS 44.85), its published regulations (15 AAC144) and its by-laws.

AS 44.85.180(c) was enacted in 1975 limiting the Bond Bank outstanding bonds at any time to \$150 million. This Statute has been periodically amended to raise the limit, and modify the definition of authorized borrowers. As of Fiscal Year 2017, the limit was \$1.7925 billion, comprised of \$1.5 billion in authority for authorized political subdivisions, \$87.5 million for the University of Alaska, and \$205 million for Regional Health Organizations.

Total Bond Bank bonds and notes outstanding as of June 30, 2017 was approximately \$1.19 billion. The limit on additional bond issuance as of June 30, 2017 was approximately \$604.9 million, of which \$543.3 million of authority is available for the main program, \$1.4 million is available specifically to the University of Alaska, and \$60.2 million is available to Regional Health Organizations.

The Bond Bank has Funded Projects for the Following Authorized Borrowers:

City of Kaktovik	City of Kenai
City of Wasilla	Ketchikan Gateway Borough
City of King Cove	City of Palmer
Haines Borough	City of Seward
City of North Pole	Municipality of Skagway
City of Cordova	Northwest Arctic Borough
City of Adak	University of Alaska
Municipality of Anchorage	City of Whittier
City of Craig	City of Soldotna
Fairbanks North Star Borough	Kodiak Island Borough
Inter-Island Ferry Authority	City of Wrangell
City of Valdez	City of Ketchikan
City of Hoonah	City of Homer
Matanuska-Susitna Borough	Kenai Peninsula Borough
City of Saxman	City of Dillingham
City of Klawock	City & Borough of Sitka
City & Borough of Yakutat	Lake & Peninsula Borough
City of Kodiak	City & Borough of Juneau
City of Sand Point	City of Nome
City of Petersburg	City of Galena
Bristol Bay Borough	City of St. Paul
Aleutians East Borough	City of Fairbanks
City of Bethel	Tanana Chiefs Conference
City of Unalaska	Yukon-Kuskokwim Health Corporation

An Idea That Works

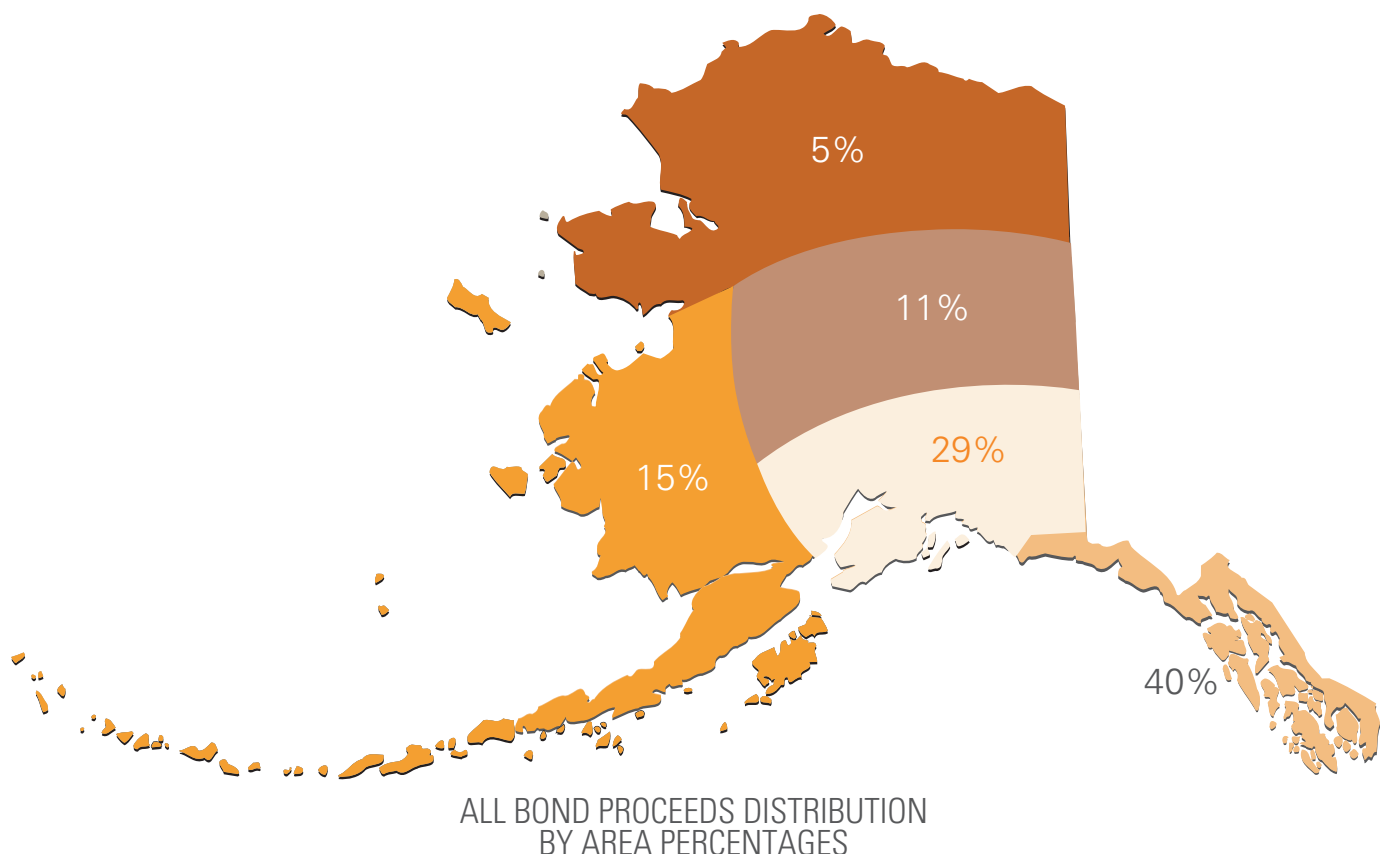
Alaska's investment in the Bond Bank is realized in reduced payments in State funded municipal programs as well as lower local tax requirements in Alaskan communities. The State manages reimbursement programs for school projects through the Alaska Department of Education and Early Development, certain other capital projects through the Alaska Department of Transportation, and provides State match to health care facilities' Medicare reimbursement rates. As communities are borrowing at lower interest rates through the Bond Bank the State of Alaska pays less money in reimbursements to the communities eligible for these programs.

Alaskan borrowers taking advantage of the Bond Bank program over the last 10 years have realized savings of over \$230 million. These borrowers may have low bond ratings, or although credit worthy have not issued bonds, have little outstanding debt, or lack investor familiarity. The Bond Bank has high credit ratings and frequently issues bonds and uses these attributes to meet the capital needs of authorized borrowers. The Bond Bank is efficient enough that some larger communities, that routinely issue their own bonds, find that the Bond Bank's services result in less expense, especially for small bond issues.

Helping Alaskan Borrowers

The Bond Bank is organized to work with all authorized borrowers in funding their capital needs at the lowest cost. From the time a borrower contacts the Bond Bank, legal and financial professionals with extensive experience in Alaska financing begin working with managers to identify and develop the most advantageous financing program for the borrower.

The Bond Bank is able to reduce borrowers' costs of issuing bonds by including multiple borrowers in a bond issue for operational efficiency.



Issuing Bonds

The Bond Bank issues primarily tax-exempt, but also taxable bonds. Purchasers of these bonds include bond mutual funds, institutional investors, insurance companies, and private individual investors. Purchasers of the Bond Bank's tax exempt bonds do not have to pay federal income taxes on the interest income received, and as a result, receive lower interest rates.

The Bond Bank adds to efficiency by pooling multiple bond issues into a single Bond Bank issue. This is accomplished by selling one larger Bond Bank bond issue to fund a number of smaller bond issues.

Bond issues of the Bond Bank are typically reviewed by at least two of the national rating agencies. The 2005 general obligation bond resolution is currently the active program of the Bond Bank, and is rated by both Fitch Ratings (Fitch), and Standard & Poor's Global Ratings (S&P). Fitch and S&P have assigned ratings of "AA-" (outlook stable) and "AA-" (negative outlook), respectively. Both of these ratings are considered "investment grade," and are just three notches off the best possible credit ratings. Maintenance of these high-grade ratings is crucial to achieving the mission of the Bond Bank, as it directly correlates to the ability to borrow money at lower interest rates.

An important reason for the Bond Bank's favorable bond rating and lower borrowing costs is that it secures its bonds with limited pledges of the State of Alaska. The Bond Bank's reserve funds are supported by the "moral obligation" of the State of Alaska. Then, starting in fiscal year 2010, the State has demonstrated the depth of this pledge by annually appropriating an unlimited amount in the operating budget to replenish Bond Bank reserves if there is a default. This appropriation is included in the Fiscal Year 2018 operating budget, as well as the Governor's proposed Fiscal Year 2019 budget.

The reserve funds are available to cure defaults, should they occur, and sized to an amount equal to 125% of average debt service over the life of all bond issues in the specific program. For the 2005 loan program there is flexibility to use any combination of bond bank assets, bond proceeds, or surety policies to satisfy reserve requirements. The balance in the pooled reserve is equivalent to many years of debt payments on even the largest of borrower loans.

General Obligation Bonds

The majority of the Bond Bank's bonds have been issued to fund general obligation loans. Communities typically issue general obligation bonds to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. Such bonds must be approved by the municipal voters in their respective communities.



Revenue Bonds

The Bond Bank also funds loans for revenue bonds that are used to finance revenue-producing capital improvements such as utility or port facilities. Because they are not secured by a municipality's taxing power, such bonds do not normally require voter approval.

2005 Bond Indenture

In fiscal year 2006, the Bond Bank created the 2005 lending program that allows both general obligation and revenue bond loans, through the Bond Bank's issuance of general obligation bonds in the public marketplace. The ability to pool all general obligation and revenue bonds provides greater operational efficiency for the Bond Bank and provides additional flexibility and savings to communities. Other than certain lease backed and regional health organization obligations, all future lending is anticipated to flow through the 2005 program.

General obligation bonds issued by the Bond Bank, to purchase municipal general obligation and revenue bonds from communities issued through the 2005 bond indenture are secured by:

- ▶ For general obligation loans the full faith and credit of each respective community with no taxing limitation
- ▶ For revenue bond loans the revenues for the facility or enterprise being financed
- ▶ The Bond Bank's general obligation debt service reserve fund
- ▶ All unobligated Bond Bank assets
- ▶ The statutory right of the Bond Bank, in the event of default, to demand and receive any funds held by a state agency which are payable to the defaulting municipality
- ▶ The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels
- ▶ The commitment to seek current-year State funding for reserve replenishment. This is currently funded in the State's FY2018 operating budget, and is included in the Governor's proposed operating budget for FY2019.

2010 Bond Indenture

During fiscal year 2011 the Bond Bank created the 2010 lending program. Currently, the only outstanding issues under the 2010 Bond Indenture are Series 2010 A-1 and Series 2010 A-2. The 2010 lending program has been reserved for certain lease backed obligations.

CURRENT FINANCING SUMMARY

AMBBA - FY2017 GENERAL OBLIGATION BOND ISSUES

Saving Alaskans Over \$41.2 million in Financing Costs

\$109,835,000 – 2016 SERIES THREE & FOUR

Generating \$123,134,425 of funding

- **City & Borough of Juneau** – Renovations to the Capital Transit Maintenance Shop, and to refund bonds previously issued
- **City of Ketchikan** – Improvements to Harbor Facilities
- **Refinanced Bonds for Savings** – Aleutians East Borough, City of Bethel, City of Dillingham, Kenai Peninsula Borough, City of Kodiak, Kodiak Island Borough, City of Nome, Northwest Arctic Borough, City of Petersburg, City of Seward, City & Borough of Sitka, Municipality of Skagway, and the City of Wasilla

20 years (Varies by individual community): Overall Issuance True Interest Cost 2.82%

\$100,715,000 – SERIES 2017A

- **Yukon-Kuskokwim Health Corporation (Regional Health Organization)** – Partially funded the Yukon-Kuskokwim Health Corporation's Dr. Paul John Callicarag Project (hospital renovation and a new primary care clinic in Bethel, Alaska)

30 years: True Interest Cost 4.21%

\$44,450,000 – 2017 SERIES ONE & TWO

Generating \$47,110,339 of funding

- **Kenai Peninsula Borough** – Improvements to the Central Peninsula Landfill, and Improvements to South Peninsula Hospital and Homer Medical Center
- **City of Seward** – Road Improvements
- **City of Unalaska** – Improvements to Port
- **City of Whittier** – Improvements to Harbor Facilities
- **2017 Series One** - 20 years (Varies by individual community): True Interest Cost 2.86%
- **2017 Series Two (AMT)** – 25 years (Varies by individual community) True Interest Cost 3.95%

2016 General Obligation Bond Indenture

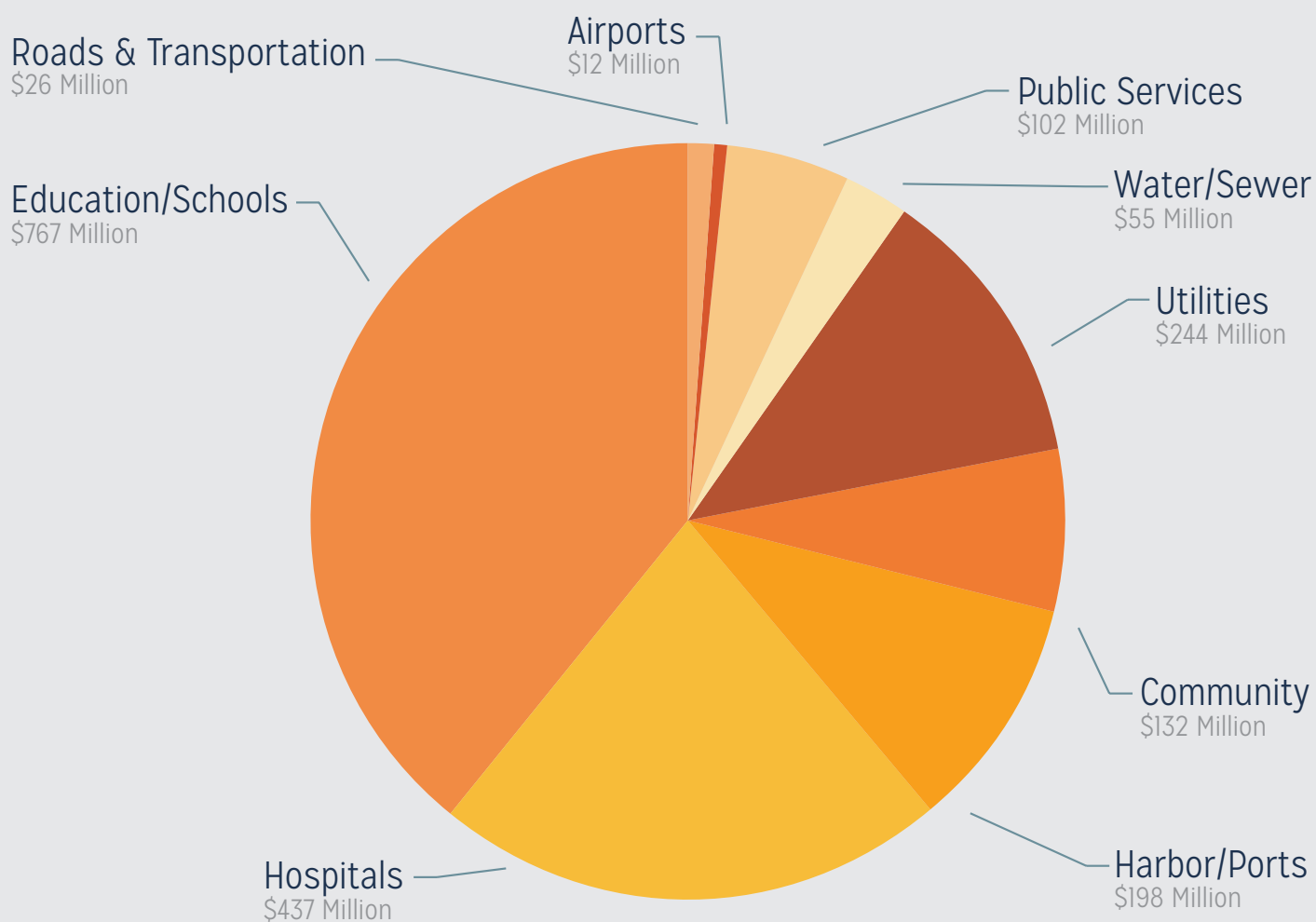
With the expansion of authority provided to the Bond Bank to lend to regional health organizations (RHO), the 2016 Bond Indenture was created in fiscal year 2016, and two loans have been completed to date. For RHOs to participate in a Bond Bank loan, there needs to be an anticipated financial benefit to the State of Alaska, and an increase in the regional quality of healthcare.

Leveraging Alaska's Strong Credit Rating

Since 1975 the Bond Bank has relied on the State's strong credit rating to borrow at lower interest rates. During these 42 years all Bond Bank debt service has been paid by borrowers, but the amount of interest they paid was significantly reduced. This includes approximately \$41.2 million in savings in Fiscal Year 2017.

USES OF BOND PROCEEDS—INCEPTION TO DATE

DOES NOT INCLUDE REFUNDINGS



THE BOARD OF DIRECTORS

The Bond Bank has five directors consisting of three public members appointed by the governor, the Commissioner of Revenue, and the Commissioner of Commerce, Community and Economic Development.

The Commissioners may appoint delegates to serve in their place.

Luke Welles

Chairperson

Mr. Welles was originally appointed to the Board on May 16, 2008. Mr. Welles became Vice President of Finance of the Arctic Slope Native Association, Ltd. in March 2011. Prior to this position, Mr. Welles served as Chief Financial Officer of LifeMed Alaska, LLC which provides medevac services in Alaska. Previously, Mr. Welles was the Chief Financial Officer for the Yukon-Kuskokwim Healthcare Corporation. He has management experience in healthcare, civil construction, and commercial real estate. He has served on several economic development commissions in the State, a city council in Homer, Alaska and multiple boards. Mr. Welles received a Bachelor of Arts in Foreign Service and International Business from Baylor University.

Gregory Gurse

Vice Chair

Mr. Gurse was originally appointed to the Board on June 22, 2009. Mr. Gurse became President of Benefit Brokers, Inc. in 2001, after working as Vice President of Investments for Wedbush Morgan Securities for 11 years. Mr. Gurse also serves as a FINRA industry arbitrator in both civil and industry arbitration cases. After graduating from the University of Alaska Anchorage with a degree in finance, Mr. Gurse became involved with the University of Alaska Foundation. He served as the first Chairman of the UAA College of Fellows, served as a Trustee to the UA Foundation, and was a member of the Investment Committee to the UA Foundation. Mr. Gurse has served on both the State of Alaska Dental Examiner's Board and the United States Treasury Department's Taxpayer Advocacy Panel. He has served on the Investment Commission for the Municipality of Anchorage and several other local boards.

Mike Navarre

Department of Commerce, Community, and Economic Development

The Governor recently announced the appointment of Mike Navarre as the Commissioner of the Department of Commerce, Community, and Economic Development. Commissioner Navarre was most recently in his second consecutive term as mayor of the Kenai Peninsula Borough, and third term overall; he has also twice been president of the Alaska Conference of Mayors. Previously, he served in the Alaska House of Representatives for six terms (1985-1996) where he held multiple leadership positions, including Majority Leader, and chair of the Finance and Rules Committees. Commissioner Navarre has over 30 years of business experience in restaurant and retail operations throughout Alaska. He holds a Bachelor's degree in Government with a minor in Economics from Eastern Washington University.

Pamela Leary

Delegate for the Department of Revenue

Ms. Leary is the first delegate for Sheldon Fisher, Commissioner of the Department of Revenue. She is the Director of Treasury Division in the Department of Revenue and serves as the State Treasurer. She previously served in the Department of Revenue as State Comptroller from 2007 through 2013. Ms. Leary began her career as an auditor with Price Waterhouse and became a partner in the firm PricewaterhouseCoopers, LLP. After moving to Alaska, Ms. Leary owned and operated a business before reentering the accounting profession with the Alaska Permanent Fund Corporation. She holds a bachelor's degree in economics from the Wharton School, University of Pennsylvania, and is a certified public accountant in the State of Alaska.

Craig Chapman

Member

Mr. Chapman was appointed to the board on July 21, 2017. Mr. Chapman is a lifelong Alaskan. He graduated from Gonzaga University with a Bachelor of Business Administration with an emphasis in accounting. He has been a licensed Certified Public Accountant in the State of Alaska since 1983. In addition to spending six years in public accounting, Mr. Chapman has over 30 years of experience in private and governmental financial management positions including 20 years at the Kenai Peninsula Borough with almost 12 years as Finance Director. He previously served on the State of Alaska, Board of Public Accountancy.



The State's Department of Revenue, Treasury Division, fulfills management and administrative responsibilities for the Bond Bank.

Deven Mitchell

Executive Director & Treasurer

Mr. Mitchell also serves as the State Debt Manager and Investment officer in the Department of Revenue, Treasury Division, with responsibility for the management of all debt of the State, was appointed Executive Director of the Bond Bank in 1999. Mr. Mitchell has worked for the State of Alaska Department of Revenue since 1992. He previously held several positions in Alaskan financial institutions. Mr. Mitchell holds a Bachelor of Science in Business Administration from Northern Arizona University. He has served as board member and chairman of the Wildflower Court Nursing Home and as board member and president of the Alaska Government Finance Officers Association, and currently is serving on the boards of the Alaska Municipal League and the Alaska Municipal League Joint Insurance Association.

Ryan Williams

Finance Director & Deputy Treasurer

Mr. Williams, who also serves as Operations Research Analyst in the Department of Revenue, Treasury Division, was appointed Finance Director of the Bond Bank in 2014. Mr. Williams has worked for the Department of Revenue since 2009. Mr. Williams holds a Bachelor of Science Degree in Business Administration from the University of Southern California, with a concentration in International Business. He has served as a board member and currently is president of the Alaska Government Finance Officers Association.

Rather than employ staff, the Bond Bank contracts in the private sector for a wide range of professional services. The Executive Director and Finance Director coordinate the activities of these professionals, which include bond counsel, municipal advisor, accountants, auditors, fund trustees, bond trustees, arbitrage rebate consultants and investment managers.



ALASKA MUNICIPAL BOND BANK AUTHORITY
(a Component Unit of the State of Alaska)

Financial Statements

For the Year Ended June 30, 2017

Together with Independent Auditor's Report Thereon

ALASKA MUNICIPAL BOND BANK AUTHORITY
(a Component Unit of the State of Alaska)

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3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Board of Directors
Alaska Municipal Bond Bank Authority
Juneau, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Alaska Municipal Bond Bank Authority (the Authority), a component unit of the State of Alaska, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Alaska Municipal Bond Bank Authority, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alaska Municipal Bond Bank Authority's basic financial statements. The supplemental schedules and tables noted in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules and tables is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BDO USA, LLP

September 29, 2017
Anchorage, Alaska

ALASKA MUNICIPAL BOND BANK AUTHORITY

(a Component Unit of the State of Alaska)

Management's Discussion and Analysis

Year Ended June 30, 2017

This Management's Discussion and Analysis (MD&A) is required by GASB Statement 34, a standard established by the Governmental Accounting Standards Board. This section is intended to make the financial statements more understandable to the average reader who is not familiar with traditional accounting terminology.

This financial report has two integral parts: this MD&A and the financial statements with the accompanying notes that follow. Together, they present the Alaska Municipal Bond Bank Authority's (Bond Bank) financial performance during the fiscal year ended June 30, 2017. Summarized prior fiscal year information is shown within this MD&A, as needed, for comparative purposes.

Required Financial Statements

GASB 34 requires two types of financial statements: the Statement of Net Position and Governmental Fund Balance Sheets and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Net Position. These statements report financial information about the Bond Bank's activities using accounting principles generally accepted in the United States of America. In addition to the basic financial statements, the Notes to Financial Statements provide information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Highlights

During fiscal year 2017 the Bond Bank entered into 27 loan agreements to fund \$280.7 million of loans resulting in an estimated \$41.2 million in savings. Bond Bank loans funded 8 new construction projects located in 7 communities and refinanced 19 existing loans of 15 communities for savings. In fiscal year 2017 totals was a \$102.5 million loan to partially fund the Yukon-Kuskokwim Health Corporation's Paul John Calricaraq Project, which includes constructing and equipping the expansion of an existing hospital and a new primary care clinic in Bethel, Alaska. This loan represents the largest single loan issued by the Bond Bank since inception. The Bond Bank issued \$255.0 million in bonds during fiscal year 2017 that generated approximately \$280.7 million in funding. Bond Bank activity resulted in \$162.6 million in loans for new capital projects, and \$118.1 million to refinance loans for savings. Bond Bank bond activity in fiscal year 2017 resulted in gross savings of approximately \$41.2 million to all borrowers. In comparison, during fiscal year 2016, the Bond Bank issued \$233.0 million in bonds, generating approximately \$256.9 million in funding. During fiscal year 2016, the Bond Bank entered into 16 loan agreements, funded 7 new construction projects located in 5 communities, and refinanced 3 existing loans for savings.

Statement of Net Position

The Statement of Net Position reports assets, liabilities and net position of the Bond Bank.

Assets

Assets represent 1) The value of the Bond Bank's investments and investment income receivable on the financial statement dates, recorded at fair market value, and 2) Bond principal and interest payments receivable from municipalities. The investments generate income for the Bond Bank, used to meet reserve requirements and pay operating costs. Historically excess operating account earnings were transferred to the State of Alaska's (State) general fund each year. The fiscal year ending June 30, 2017 marked the tenth consecutive year that the State operating budget has appropriated any excess earnings of the

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Management's Discussion and Analysis

Year Ended June 30, 2017

operating account to the Bond Bank's reserve fund (HB 57, Sec. 39(d)). Interest received on bonds purchased from borrowers is used to pay the Bond Bank's corresponding interest payments on the bonds that it has issued.

Liabilities

Liabilities represent claims against the fund for 1) goods and services provided before the financial statement date but not yet paid for at that date, and 2) interest and bond payments due to purchasers of the Bond Bank's bonds after the financial statement date.

Restricted and Unrestricted Net Position

Net position is comprised of two components. The restricted portion reflects monies maintained in separate trust accounts where their use is limited by applicable bond covenants for repayment of bonds. The unrestricted portion reflects monies that are available for any authorized purpose of the Bond Bank.

The following table shows the value of Bond Bank assets summarized as of June 30, 2017 and 2016, as well as liabilities and net position:

	As of June 30,		Changes from 2016 to 2017	
	2017	2016	Increase/(Decrease) Dollars	Percent
Assets:				
Cash and investments	\$ 73,287,012	\$ 67,724,121	\$ 5,562,891	8.21%
Bonds and bond interest receivable	1,197,321,224	1,096,118,127	101,203,097	9.23%
Other receivables	120,446	29,163	91,283	313.01%
Total assets	<u>1,270,728,682</u>	<u>1,163,871,411</u>	<u>106,857,271</u>	<u>9.18%</u>
Liabilities:				
Accounts payable and accrued liabilities	12,705,807	2,980,601	9,725,206	326.28%
Bonds and bond interest payable	<u>1,203,085,677</u>	<u>1,104,745,050</u>	<u>98,340,627</u>	<u>8.90%</u>
Total liabilities	<u>1,215,791,484</u>	<u>1,107,725,651</u>	<u>108,065,833</u>	<u>9.76%</u>
Net Position:				
Restricted	35,796,462	35,750,062	46,400	0.13%
Unrestricted	<u>19,140,736</u>	<u>20,395,698</u>	<u>(1,254,962)</u>	<u>-6.15%</u>
Total net position	<u>\$ 54,937,198</u>	<u>\$ 56,145,760</u>	<u>\$ (1,208,562)</u>	<u>-2.15%</u>

The Bond Bank's investments are all held in U.S. Government securities.

The increase in bonds and bond interest receivable, as well as in bonds and bond interest payable, reflects the issuance of approximately \$255.0 million in new bonds during the year, net of principal payments on bonds previously issued of approximately \$58.4 million. \$162.6 million in new bonds and loans during the year were lent to authorized borrowers for projects, and \$118.1 million in new bonds were used to refinance current borrower loans for savings.

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Statement of Activities

The statement of activities shows how the Bond Bank's net position changed during the most recent fiscal year.

Revenues

Revenues include total return on investments and interest payments received from municipalities. Earnings on investments include interest on fixed income marketable securities and the change in fair market value of those investments.

Expenses

Expenses include interest payments made to bond holders who purchased the Bond Bank's bonds, payments made to the State of Alaska and operating expenses. Operating expenses include all expenditures required to issue bonds during the current year and include in-house expenses, as well as external consultant fees. Expenses are subtracted from revenues.

The following is a condensed statement of the Bond Bank's changes in net position as of June 30, 2017, and 2016:

	As of June 30,		Changes from 2016 to 2017	
	2017	2016	Increase/(Decrease) Dollars	Percent
Revenues:				
Interest income on bonds receivable	\$ 49,928,101	\$ 44,803,553	\$ 5,124,548	11.44%
Investment earnings (loss)	(88,178)	1,542,043	(1,630,221)	-105.72%
Other income	7,053	-	7,053	100.00%
Total income	49,846,976	46,345,596	3,501,380	7.55%
Expenses:				
Interest expense on bonds payable	50,419,766	45,503,886	4,915,880	10.80%
Operating expenses	635,772	856,679	(220,907)	-25.79%
Total expenses	51,055,538	46,360,565	4,694,973	10.13%
Change in net position	(1,208,562)	(14,969)	(1,193,593)	7973.77%
Net position, beginning of period	56,145,760	56,160,729	(14,969)	-0.03%
Net position, end of period	\$ 54,937,198	\$ 56,145,760	\$ (1,208,562)	-2.15%

Interest income and expense on bonds receivable and payable are a function of the total amount of bonds outstanding, the age of the bonds and the interest rates at which they are issued. The increases in both of these line items of \$5.1 million (interest income) and \$4.9 million (interest expense) are consistent with the increase in bond receivable and payable balances, respectively.

Investment earnings are a function of market conditions, and active management. The Bond Bank uses other assets to subsidize debt service during times of low investment returns in bond reserve funds. The decrease in net position is primarily due to investment returns and debt service on reserve obligations.

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Year Ended June 30, 2017

Governmental Funds

The governmental funds include the General Fund, which accounts for the primary operations of the Bond Bank, and the Debt Service Fund, which accounts for the resources accumulated and payments made on the long-term debt of the Bond Bank. The primary difference between the governmental funds balance sheet and the statement of net position is the elimination of inter-fund payables and receivables. Bond proceeds are reported as other financing source in the governmental funds statement of revenues and expenses and this contributes to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of debt principal is recorded as expenditure in the governmental funds statement of revenues and expenses and reduces the liability in the statement of net position.

The following tables show governmental funds' condensed balance sheets and statements of revenues, expenditures and changes in fund balances as of June 30, 2017, and 2016.

General Fund

	As of June 30,		Changes from 2016 to 2017	
	2017	2016	Increase/(Decrease) Dollars	Percent
Assets:				
Cash, investments and related				
accrued interest	\$ 11,655,396	\$ 11,494,536	\$ 160,860	1.40%
Bonds and bond interest receivable	6,524,578	7,391,659	(867,081)	-11.73%
Other Receivables	120,446	29,163	91,283	313.01%
Interfund receivable	6,165,108	6,207,126	(42,018)	-0.68%
Total assets	24,465,528	25,122,484	(656,956)	-2.62%
Liabilities:				
Accounts payable and accrued liabilities	148,510	336,059	(187,549)	-55.81%
Fund Balance:				
Restricted for debt service	4,956,430	4,956,430	-	0.00%
Unassigned	19,360,588	19,829,995	(469,407)	-2.37%
Total fund balance	24,317,018	24,786,425	(469,407)	-1.89%
Total liabilities and fund balance	\$ 24,465,528	\$ 25,122,484	\$ (656,956)	-2.62%

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Management's Discussion and Analysis

Year Ended June 30, 2017

Debt Service Fund

	As of June 30,		Changes from 2016 to 2017	
	2017	2016	Increase/(Decrease) Dollars	Percent
Assets:				
Cash, investments and related				
accrued interest	\$ 61,631,616	\$ 56,229,585	\$ 5,402,031	9.61%
Bonds and bond interest receivable	1,190,796,646	1,088,726,468	102,070,178	9.38%
Total assets	1,252,428,262	1,144,956,053	107,472,209	9.39%
Liabilities:				
Accounts payable and accrued liabilities	12,557,297	2,644,542	9,912,755	374.84%
Interfund payables	6,165,108	6,207,126	(42,018)	-0.68%
Total liabilities	18,722,405	8,851,668	9,870,737	111.51%
Fund Balance:				
Restricted for debt service	1,233,705,857	1,136,104,385	97,601,472	8.59%
Total liabilities and fund balance	\$ 1,252,428,262	\$ 1,144,956,053	\$ 107,472,209	9.39%

General Fund

	As of June 30,		Changes from 2016 to 2017	
	2017	2016	Increase/(Decrease) Dollars	Percent
Revenues:				
Interest income	\$ 126,331	\$ 428,051	\$ (301,720)	-70.49%
Other income	7,053	-	7,053	100.00%
Total income	133,384	428,051	(294,667)	-68.84%
Expenditures:				
Operating expenses	635,772	856,679	(220,907)	-25.79%
Excess (deficiency) of revenues				
over expenditures	(502,388)	(428,628)	(73,760)	-17.21%
Other financing sources (uses) - transfers	32,981	1,302,709	(1,269,728)	-97.47%
Excess (deficiency) of revenues and				
transfers over expenditures	(469,407)	874,081	(1,343,488)	-153.70%
Fund balance, beginning of period	24,786,425	23,912,344	874,081	3.66%
Fund balance, end of period	\$ 24,317,018	\$ 24,786,425	\$ (469,407)	-1.89%

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Year Ended June 30, 2017

Debt Service Fund

	As of June 30,		Changes from 2016 to 2017	
	2017	2016	Increase/(Decrease) Dollars	Percent
Revenues:				
Interest income on bonds receivable	\$ 49,782,385	\$ 44,728,889	\$ 5,053,496	11.30%
Investment earnings (loss)	(68,793)	1,188,656	(1,257,449)	-105.79%
Total revenues	49,713,592	45,917,545	3,796,047	8.27%
Expenditures:				
Interest payments	49,274,139	44,259,409	5,014,730	11.33%
Principal payments	58,405,000	55,225,000	3,180,000	5.76%
Total expenditures	107,679,139	99,484,409	8,194,730	8.24%
Excess (deficiency) of revenues over expenditures	(57,965,547)	(53,566,864)	(4,398,683)	-8.21%
Other financing sources (uses):				
Bond proceeds	255,000,000	232,955,000	22,045,000	9.46%
Payments to Bond Escrow Agent	(99,400,000)	(28,230,000)	(71,170,000)	252.11%
Transfers	(32,981)	(1,302,709)	1,269,728	-97.47%
Total other financing sources (uses):	155,567,019	203,422,291	(47,855,272)	-23.53%
Excess of revenues and transfers over expenditures	97,601,472	149,855,427	(52,253,955)	-34.87%
Fund balance, beginning of period	1,136,104,385	986,248,958	149,855,427	15.19%
Fund balance, end of period	\$ 1,233,705,857	\$ 1,136,104,385	\$ 97,601,472	8.59%

Long-term Debt

At June 30, 2017 the Bond Bank had \$1,187,615,000 of bonds and notes outstanding, up 8.9% from \$1,090,420,000 at June 30, 2016. This excludes conduit debt obligations of the Coastal Energy Loan Program. Payment of principal and interest on the Bond Bank's Coastal Energy Bond is not secured by a pledge of any amounts held by or payable to the Bond Bank under the General Bond Resolution, including the Reserve Account, and is not in any way a debt or liability of the Bond Bank and accordingly, are not included in the basic financial statements. Please see note (8), to the financial statements.

As discussed in the previous sections, net increase in 2017 long term debt balances is due to new bond issuances for loans to authorized borrowers.

AS 44.85.180(c) was originally enacted in 1975, limiting the Bond Bank outstanding bonds at any time to \$150 million. This Statute has been periodically amended to raise the limit, and modify the definition of authorized borrowers. At the beginning of fiscal year 2015, the limit was \$1.5875 billion.

During fiscal year 2015, the legislature passed, and the Governor signed into law a bill to authorize the Authority to make loans to Joint Action Agencies and Regional Health Organizations, effective May 26,

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Management's Discussion and Analysis

Year Ended June 30, 2017

2015. Joint Action Agency lending is now part of the main political subdivision program. Regional Health Organization lending is limited to no more than \$205 million in total, no more than 49% of any single project where the other 51% of the project's funding is in place, and not more than \$102.5 million for any single project. With this legislation, the total debt limit as of June 30, 2017 was \$1,792,500,000, comprised of \$1.5 billion in authority for political subdivisions, \$87.5 million for the University of Alaska, and \$205 million for Regional Health Organizations. Total Bond Bank bonds and notes outstanding as of June 30, 2017 was \$1,187,615,000. The limit on additional bond issuance as of June 30, 2017 was approximately \$604.9 million, of which \$543.3 million of authority is available for the main political subdivision program, \$1.4 million is available to the University of Alaska, and \$60.2 million is available to Regional Health Organizations.

Outstanding long term debt is comprised of the following bonds and loans at year end:

	As of June 30,		Changes from 2016 to 2017	
	Increase/(Decrease)			
	2017	2016	Dollars	Percent
GO bonds payable	\$ 1,187,615,000	\$ 1,090,420,000	\$ 97,195,000	8.91%
	<u>\$ 1,187,615,000</u>	<u>\$ 1,090,420,000</u>	<u>\$ 97,195,000</u>	<u>8.91%</u>

Contacting the Bond Bank's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Bond Bank's finances and to demonstrate the Bond Bank's accountability of its assets. If you have any questions about this report or need additional financial information, contact the Finance Director or the Executive Director of the Bond Bank at (907) 465-2893 or (907) 465-3750 respectively.

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Statement of Net Position and
Governmental Funds Balance Sheets

June 30, 2017

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 454,415	\$ 7,721,132	\$ 8,175,547	\$ -	\$ 8,175,547
Investments, at fair value (note 4)	11,155,454	53,714,341	64,869,795	-	64,869,795
Accrued interest receivable:					
Bonds receivable	47,604	15,301,646	15,349,250	-	15,349,250
Investment securities	45,527	196,143	241,670	-	241,670
Bonds receivable (note 5)	6,476,974	1,175,495,000	1,181,971,974	-	1,181,971,974
Other receivables	120,446	-	120,446	-	120,446
Interfund receivables	6,165,108	-	6,165,108	(6,165,108)	-
Total assets	<u>\$ 24,465,528</u>	<u>\$ 1,252,428,262</u>	<u>\$ 1,276,893,790</u>	<u>(6,165,108)</u>	<u>1,270,728,682</u>
LIABILITIES					
Accounts payable	\$ 15,262	\$ -	\$ 15,262	-	15,262
Due to Primary Government	133,248	-	133,248	-	133,248
Principal and interest payments received in advance	-	5,564,147	5,564,147	-	5,564,147
Accrued interest payable	-	-	-	15,470,677	15,470,677
Interfund payables	-	6,165,108	6,165,108	(6,165,108)	-
Bond proceeds held in reserve (note 6):	-	6,993,150	6,993,150	-	6,993,150
Long-term liabilities (note 7):					
Portion due or payable within one year:					
General obligation bonds payable	-	-	-	73,160,000	73,160,000
Portion due or payable after one year:					
General obligation bonds payable	-	-	-	1,114,455,000	1,114,455,000
Total liabilities	<u>148,510</u>	<u>18,722,405</u>	<u>18,870,915</u>	<u>1,196,920,569</u>	<u>1,215,791,484</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted (note 2)	4,956,430	1,233,705,857	1,238,662,287	(1,238,662,287)	-
Unassigned	19,360,588	-	19,360,588	(19,360,588)	-
Total fund balances	<u>24,317,018</u>	<u>1,233,705,857</u>	<u>1,258,022,875</u>	<u>(1,258,022,875)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 24,465,528</u>	<u>\$ 1,252,428,262</u>	<u>\$ 1,276,893,790</u>		
Net position:					
Restricted (note 2)				35,796,462	35,796,462
Unrestricted				19,140,736	19,140,736
Total net position				<u>\$ 54,937,198</u>	<u>\$ 54,937,198</u>

The accompanying notes to the financial statements are an integral part of these statements.

ALASKA MUNICIPAL BOND BANK AUTHORITY
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Statement of Activities and
Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances/Net Position

For the Year Ended June 30, 2017

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues:					
Investment earnings (loss)	\$ (19,385)	\$ (68,793)	\$ (88,178)	\$ -	\$ (88,178)
Interest income on bonds receivable	145,716	49,782,385	49,928,101	-	49,928,101
Other income	7,053	-	7,053	-	7,053
Total revenues	133,384	49,713,592	49,846,976	-	49,846,976
Expenditures / expenses:					
Debt service:					
Principal payments	-	58,405,000	58,405,000	(58,405,000)	-
Interest payments / expense	-	49,274,139	49,274,139	1,145,627	50,419,766
Professional services	429,253	-	429,253	-	429,253
Personal services	203,182	-	203,182	-	203,182
Office expense	3,337	-	3,337	-	3,337
Total expenditures / expenses	635,772	107,679,139	108,314,911	(57,259,373)	51,055,538
Excess (deficiency) of revenues over expenditures / expenses	(502,388)	(57,965,547)	(58,467,935)	57,259,373	(1,208,562)
Other financing sources / (uses):					
Proceeds from issuance of bonds	-	255,000,000	255,000,000	(255,000,000)	-
Payments to refunded bond escrow agent	-	(99,400,000)	(99,400,000)	99,400,000	-
Transfers - internal activities	32,981	(32,981)	-	-	-
Total other financing sources / (uses)	32,981	155,567,019	155,600,000	(155,600,000)	-
Net change in fund balance / net position	(469,407)	97,601,472	97,132,065	(98,340,627)	(1,208,562)
Fund balances / net position:					
Beginning of the year	24,786,425	1,136,104,385	1,160,890,810	(1,104,745,050)	56,145,760
End of the year	\$ 24,317,018	\$ 1,233,705,857	\$ 1,258,022,875	\$ (1,203,085,677)	\$ 54,937,198

The accompanying notes to the financial statements are an integral part of these statements.

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Notes to Financial Statements

For the Year Ended June 30, 2017

(1) History/Reporting Entity

The Alaska Municipal Bond Bank Authority (Authority or Bond Bank) was created pursuant to Alaska Statute, Chapter 85, Title 44, as amended, (Act) as a public corporation and instrumentality of the State of Alaska (State), but with a legal existence independent of and separate from the State. The Authority is a discretely presented component unit of the State of Alaska for purposes of financial reporting. The Authority commenced operations in August 1975.

The Authority was created for the purpose of making monies available to authorized borrowers within the State to finance capital projects primarily through the issuance of bonds by the Authority. Bond proceeds are then used to purchase, from authorized borrowers general obligation and revenue bonds.

The bonds are obligations of the Authority, payable only from revenues or funds of the Authority, and the State of Alaska is not obligated to pay principal or interest thereon, and neither the faith and credit nor the taxing power of the State is pledged to the bonds. The municipal bonds and municipal bond payments, investments thereof and proceeds of such investments, if any, and all funds and accounts established by the bond resolution to be held by the Trustee (with the exception of the Coastal Energy Loan Debt Service Program, which is administered by the Authority) are pledged and assigned for the payment of bonds.

AS 44.85.180(c) was originally enacted in 1975, limiting Bond Bank outstanding bonds at any time to \$150 million. This Statute has been periodically amended to raise the limit, and modify the definition of authorized borrowers. At the beginning of fiscal year 2015, the limit was \$1.5875 billion.

During fiscal year 2015, the legislature passed, and the Governor signed into law a bill to authorize the Authority to make loans to Joint Action Agencies and Regional Health Organizations, effective May 26, 2015. Joint Action Agency lending is now part of the main political subdivision program. Regional Health Organization lending is limited to no more than \$205 million in total, no more than 49% of any single project where the other 51% of the project's funding is in place, and not more than \$102.5 million for any single project.

With this legislation, the total debt limit as of June 30, 2017 was \$1,792,500,000, comprised of \$1.5 billion in authority for political subdivisions, \$87.5 million for the University of Alaska, and \$205 million for Regional Health Organizations. Total Bond Bank bonds and notes outstanding as of June 30, 2017 was approximately \$1,187,615,000. The limit on additional bond issuance as of June 30, 2017 was approximately \$604.9 million, of which \$543.3 million of authority is available for the main political subdivision program, \$1.4 million is available to the University of Alaska, and \$60.2 million is available to Regional Health Organizations.

(2) Summary of Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Authority's accounting policies are described below.

(a) Government-wide and Fund Financial Statements

The government-wide statement of net position and the statement of activities report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed

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Notes to Financial Statements

from these statements. The balance sheet and statement of revenues, expenditures and changes in fund balances are provided for governmental funds.

(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund. The Authority adopts an annual budget for the operating account only which does not encompass entire operations of the General Fund, therefore, budgetary comparison information for the General Fund is not presented.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the Authority. The Authority does not adopt a budget for the Debt Service Fund because it is not legally required to do so.

The purposes of each of these funds are described in the following paragraphs:

General Fund

The General Fund is comprised of a Custodian Account and an Operating Account. The Custodian Account is established to account for appropriations by the State of Alaska Legislature available to fund the Special Reserve Accounts. The Operating Account is established to account for the ordinary operations of the Authority. Monies are derived from the following sources: (a) amounts appropriated by the Legislature, (b) fees and charges collected, (c) income on investments of the Statutory Reserve Account in excess of required debt service reserves required by bond resolutions and (d) any other monies made available for purposes of the General Fund from any other source. Amounts in the Operating Account may be used to pay (a) administrative expenses of the Authority, (b) fees and expenses of the Trustee and paying agents, (c) financing costs incurred with respect to issuance of bonds and (d) any expenses in carrying out any other purpose then authorized by the Act. The excess revenues of the Operating Account are returned to the State of Alaska. The State of Alaska may appropriate the excess revenues to the Bond Bank Custodian Account to fund Reserve Accounts.

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Debt Service Fund

Within the Debt Service Fund, separate Debt Service Programs have been established for each bond resolution to account for the portion of bond sale proceeds used to purchase obligations of the authorized borrowers and for the payment of interest and principal on all bonds of the Authority issued under its resolutions. Each program is comprised of an “interest account” and a “principal account”, both of which are maintained by a trustee. The receipts of interest and principal from the authorized borrowers and the Statutory Reserve Account are deposited in these programs and are used to pay interest and principal on the Authority bonds. One additional Debt Service Program has been established to account for transactions not involving bond resolutions. This is the Coastal Energy Loan Debt Service Program. The Coastal Energy Loan Debt Service Program is not maintained by a trustee. Payments of interest and principal by municipalities having coastal energy loans are made directly to the federal government by the municipalities and are accounted for in the Coastal Energy Loan Debt Service Program.

Each Debt Service Fund Program contains a Statutory Reserve Account established to account for (a) money available to fund debt service reserves required by future bond sales under various bond resolutions (Custodian Account) and (b) debt service reserves which have already been established under various bond resolutions which are to be used in the case of deficiency in a Debt Service Program in accordance with its respective bond resolution (reserve accounts). Separate reserve accounts exist under each bond resolution as follows:

2005 General Bond Resolution – The reserve fund may be funded with transfers from the custodian account, surety policies, bond proceeds, or other funds available to the Bond Bank.

2010 General Bond Resolution – The reserve fund may be funded with transfers from the custodian account, surety policies, bond proceeds, or other funds available to the Bond Bank.

2016 Master Bond Resolution – The reserve fund may be funded with transfers from the custodian account, surety policies, bond proceeds, or other funds available to the Bond Bank.

At June 30, 2017, the *2005 General Bond Resolution*, *2010 General Bond Resolution* and *2016 Master Bond Resolution* reserves must be the least of: (i) 10% of the initial principal amount of each Series of Bonds outstanding; (ii) the maximum annual principal and interest requirements on all bonds outstanding; (iii) 125% of the average annual debt service on all bonds then outstanding; or (iv) such lower amount as may be allowed by law. Amounts in excess of the required debt service in any reserve are transferred to the Operating Account on a periodic basis.

(c) Adjustments

Certain adjustments are considered to be necessary to the governmental funds in order to present the Authority’s financial position and the results of its operations. These adjustments include the elimination of inter-fund payables and receivables. Additionally, bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds and reduces the liability in the statement of net position.

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(d) Restricted Assets

Certain resources set aside for the repayment of the Authority's bonds, net of certain proceeds from additional bonds issued, are classified as restricted on the statement of net position because they are maintained in separate trust accounts and their use is limited by applicable bond covenants. Cash and cash equivalents and investments include \$35,796,462 of restricted assets. These assets were funded as follows:

Original State of Alaska appropriation	\$ 18,601,414
2008 appropriation of excess earnings	855,347
2009 appropriation of excess earnings	819,843
2010 appropriation of excess earnings	32,628
2011 appropriation of excess earnings	86,814
2012 appropriation for loan forgiveness	<u>13,000,000</u>
Total State of Alaska appropriated equity	<u><u>\$ 33,396,046</u></u>

Restricted for Debt Service:

Appropriated amounts residing in reserve accounts	\$ 28,439,616
Appropriated amounts residing in Custodian account	<u>4,956,430</u>
Total State of Alaska appropriated equity	33,396,046
Bond Bank equity residing in reserve accounts	<u>2,400,416</u>
Total restricted for debt service/net position	<u><u>\$ 35,796,462</u></u>

(e) Bond Receivables

Bond receivables are secured by the revenues or are general obligations of the authorized borrowers. Interest rates correspond with the interest rates on the related bonds payable by the Authority. The bond receivables mature during the same period as the related bond payables. Bond receivables are recorded at the par amount of the bonds issued.

(f) Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Any premium or discount on bond issuance or refunding is not recorded by the Authority, as the premium or discount is recorded by the authorized borrowers associated with the issuance and amortized by them. Therefore, bonds payable are presented at par. Bond issue costs are generally paid by the authorized borrowers but when a portion is paid by the Authority they are paid from the General Account and considered operating expenses.

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(g) Fund Equity

Generally, fund equity represents the difference between the current assets and current liabilities and is classified as fund balance. Bond Bank, in accordance with GASB Statement No. 54 provisions, which require classification of fund balance as nonspendable, restricted, committed, assigned or unassigned, had fund balances in restricted and unassigned categories.

Restricted Fund Balance – Restricted fund balance is that portion of fund equity that has constraints placed upon the use of the resources either by an external party or imposed by law.

Unassigned Fund Balance – this classification represents fund balance that has not been restricted, committed or assigned to specific purposes within the general fund.

The Authority does not have a policy for its use of unrestricted fund balance amounts, therefore, it considers that committed amounts are reduced first (if any), followed by assigned amounts (if any), and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the government-wide financial statements, restrictions of net position are reported when constraints placed on net position are either externally imposed by creditors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

(h) Interfund Receivables, Payables and Transfers

Interfund balances represent cash collected or disbursed on behalf of another fund. Interfund transfers are transfers between funds that are required when revenue is generated in one fund and expenditures are paid from another fund.

(i) Interest Arbitrage Rebate

Bonds issued and funds segregated into reserves after August 15, 1986 are subject to Internal Revenue Service income tax regulations which require rebates to the U.S. Government of interest income earned on investments purchased with the proceeds from the bonds or any applicable reserves in excess of the allowable yield of the issue. Amounts owed are expensed when paid and refunds are recorded when received at the five year anniversary date of the bond issue or upon final repayment. Beginning in FY 2013 the Bond Bank's arbitrage rebate consultant will update all general obligation bond rebate analysis annually as of June 30. The Bond Bank did not have an arbitrage rebate liability as of June 30, 2017.

(j) Income Taxes

The Authority is exempt from paying federal and state income taxes.

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(3) Cash

The Authority considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents at June 30, 2017 consist of money market accounts held with the trustee or custodial bank.

The bank balance of all of the Authority's cash and cash equivalents are collateralized by securities held in the Authority's name by its custodial agent.

(4) Investments

In accordance with the authoritative guidance on fair value measurements and disclosures, the Authority discloses the fair value of its investments in a hierarchy that ranks the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest ranking to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest ranking to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Inputs other than quoted prices that are observable for the assets, including quoted prices for similar investments based on interest rates, credit risk and like factors.

Level 3 - Unobservable inputs for the assets.

Investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs and methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The aggregate fair value by input level, as of June 30, 2017 is as follows:

		Level		
	6/30/2017	1	2	3
Debt Securities				
General Fund				
U.S. Treasury securities	\$8,158,391	\$8,158,391	\$ -	\$ -
U.S. Government agency securities	2,997,063	-	2,997,063	-
	11,155,454	8,158,391	2,997,063	-
Debt Service Fund				
U.S. Treasury securities	53,714,341	53,714,341	-	-
Total	<u>\$ 64,869,795</u>	<u>\$ 61,872,732</u>	<u>\$ 2,997,063</u>	<u>\$ -</u>

U.S. Treasury securities are liquid and have quoted market prices. Fair value of U.S. Treasuries securities is based on live trading feeds. U.S. Treasury securities are categorized in Level 1 of the fair value hierarchy. Government agency securities use market-based and observable inputs. As such, these securities are classified as Level 2 of the fair value hierarchy.

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The fair value of debt security investments by contractual maturity as of June 30, 2017 is shown below.

	Less than 1	1-5	6-10	More than 10	Total
General Fund					
U.S. Treasury securities	\$ 1,221,489	\$ 5,931,609	\$ 1,005,293	\$ -	\$ 8,158,391
U.S. Government agency securities	2,997,063	-	-	-	2,997,063
	<u>4,218,552</u>	<u>5,931,609</u>	<u>1,005,293</u>	<u>-</u>	<u>11,155,454</u>
Debt Service Fund					
U.S. Treasury securities	11,279,150	36,622,894	5,812,297	-	53,714,341
Total investments	<u>\$ 15,497,702</u>	<u>\$ 42,554,503</u>	<u>\$ 6,817,590</u>	<u>\$ -</u>	<u>\$ 64,869,795</u>

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

(a) Investment Policies

The Authority has distinct investment objectives and policies associated with funds held in the Custodian Account, Reserve Funds, and municipal debt payments received prior to scheduled debt service payment dates. The three classes of funds are listed below:

Custodian Account

The Custodian Account investment portfolio is designed with the objective of attaining the highest market rate of return subject to the required use of the Custodian Account for operation, funding transfers to the state, and funding reserves. The Custodian Account balance must maintain a minimum balance of \$5 million, and be forecasted to maintain that \$5 million balance for the subsequent twelve-month period, and an analysis of risk profile and historical benefit between the varying strategies must be undertaken before any shift in the investment strategy of the Account. Up to \$1,000,000 shall be used for longer term, 5 to 10 year U.S. Treasury and Agency securities. The Custodian Account has to maintain sufficient liquidity to meet operating requirements, provide the prior fiscal year's state dividend (if not otherwise appropriated back to the Bond Bank), and to allow transfers to reserves as needed for bond issuance activity. Long-term preservation of principal is the third objective of the Custodian Account's investment program. Investments shall be undertaken in a manner that minimizes the probability of long-term loss.

- There are no arbitrage restrictions.

The bond resolutions limit investments to:

- 5% +/- 2% money market funds (no less than \$350,000).
- 95% +/- 3% government agencies and U.S. Treasuries.
- The performance benchmark is 5% +/- 2% three month U.S. Treasury Bill, and 95% +/- 3% Barclays 1-5 year government bond index; Barclays U.S. Aggregate.

The following transactions are prohibited with the Custodian Account unless those transactions have the prior written consent of the Investment Committee:

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- Short sale of securities (the sale and settlement of a security not currently owned by the Authority and a formal agreement to borrow the security to facilitate the settlement of the short sale);
- Purchases of futures, forwards or options for the purpose of speculating (currency futures, forwards and options are permitted only for hedging or to facilitate otherwise permissible transactions);
- Borrowing to leverage the return on investments. Extended settlement of securities purchases executed to facilitate or improve the efficiency of a transaction will not be considered borrowing, provided that sufficient cash equivalent securities or receivables are available to facilitate the extended settlement;
- Purchases of "private placement" or unrated corporate bonds.

Bond Reserve Funds

Preservation of principal is the foremost objective of the Bond Reserve Funds investment program. These funds shall be managed to ensure that the corpus is preserved. These funds will not be expended until the final maturity of the bond issue they secure, unless there is a failure to pay debt service by a community. As there is limited benefit in maximizing return it is the least important objective of the Bond Reserve Funds. It is anticipated that the Reserve Funds cumulative average return should target the blended arbitrage yield limit of the bond issues secured.

Bond resolutions limit allowed investment of these funds. Investment risk is examined on an annual basis to ensure that no greater than the minimum level of risk required to achieve the highest probability of earning the arbitrage yield limit on the bonds is incurred.

The 2005, 2010 and 2016 Reserve Fund bond resolutions limit investments to:

- 90% +/- 10% government agencies and U.S. Treasuries with maturities of less than 5 years.
- 10% +/- 10% government agencies and U.S. Treasuries with maturities of more than 5 years and less than 10 years.
- Performance benchmark is 90% Barclays U.S. 1-5 year government bond index and 10% Barclays U.S. Aggregate index.

Municipal Debt Payments

Preservation of principal and liquidity are the foremost objectives of the Municipal Debt Payments investment program, as these funds will be expended within seven business days of receipt. Return on investment is a benefit of holding these funds for the advance payment period, but not the focus of investing the funds. The bond resolutions limit investments to:

- 100% Money Market Fund.
- Performance benchmark is three-month U.S. Treasury Bill.

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(b) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for pledged investments. The Authority's policies set out maximum concentration limits for investments managed by the external investment manager.

(c) Credit Risk

Credit risk is the risk of loss due to the failure of the security or backer. The Authority mitigates its credit risk by limiting investments permitted in the investment policies. U.S. Treasury securities and securities of agencies that are explicitly guaranteed by the U.S. government are not considered to have credit risk.

(d) Custodial Credit Risk

The Authority assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority has not established a formal custodial credit risk policy for its investments. The Authority had no investments registered in the name of a counterparty.

(e) Interest Rate Risk

Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-pledged investments, the Authority mitigates interest rate risk by structuring its investments' maturities to meet cash requirements, thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in its bond indentures and contractual and statutory agreements.

(5) Bonds Receivable

The General Fund includes bonds receivable with interest rates varying from 1% to 5% due from the City of Galena and Kenai Peninsula Borough with maturities as follow:

	City of Galena	Kenai Peninsula Borough	Total General Fund Bonds Receivable
2018	\$ 165,457	\$ 817,000	\$ 982,457
2019	167,119	827,000	994,119
2020	168,798	843,000	1,011,798
2021	170,494	861,000	1,031,494
2022	172,207	879,000	1,051,207
2023-2027	505,899	900,000	1,405,899
	<u>\$ 1,349,974</u>	<u>\$ 5,127,000</u>	<u>\$ 6,476,974</u>

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Bonds receivable by debt service program at June 30, 2017 mature in varying annual installments as follows:

Year ending June 30	2005 General	2010 General	2016 General	Total Principal
2018	\$ 61,230,000	\$ 150,000	6,975,000	\$ 68,355,000
2019	63,560,000	160,000	4,965,000	68,685,000
2020	62,875,000	165,000	5,225,000	68,265,000
2021	61,815,000	170,000	5,485,000	67,470,000
2022	60,055,000	175,000	7,930,000	68,160,000
2023-2027	253,235,000	960,000	27,840,000	282,035,000
2028-2032	202,745,000	1,150,000	15,210,000	219,105,000
2033-2037	131,400,000	1,080,000	18,470,000	150,950,000
2038-2042	73,805,000	-	22,895,000	96,700,000
2043-2047	51,815,000	-	29,855,000	81,670,000
2048-2052	4,100,000	-	-	4,100,000
	<u>\$ 1,026,635,000</u>	<u>\$ 4,010,000</u>	<u>\$ 144,850,000</u>	<u>\$ 1,175,495,000</u>

(6) Authority Reserve Funds Derived from Series 2017A Bond Proceeds

The Authority deposited bond proceeds from the issuance of the Series 2017A bonds to satisfy the Authority's 2016 Master Resolution Reserve requirement. The Yukon-Kuskokwim Health Corporation (2017A Borrower) is obligated by the loan agreement to pay all interest expense associated with the Series 2017A bonds including the bonds that funded the deposit to the 2016 Master Resolution. These reserve funds are held by the Trustee until the maturity of the bonds when per the loan agreement proceeds attributable to funding the Authority's 2016 Master Resolution reserve requirement will be used to repay the 2017A bonds that funded them. The amount initially required to satisfy the Authority's reserve at time of issuance was \$6,993,150.

(7) Long-Term Liabilities

During the year ended June 30, 2017 the Authority's long-term liabilities changed as follows:

	Beginning of year	New debt	Repayments/ Adjustments	End of year
General obligation bonds payable	\$ 1,090,420,000	\$ 255,000,000	(157,805,000)	\$ 1,187,615,000
Total	<u>\$ 1,090,420,000</u>	<u>\$ 255,000,000</u>	<u>\$ (157,805,000)</u>	<u>\$ 1,187,615,000</u>

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Bond Bank's long term liabilities consist of the following as of June 30, 2017:

Issue	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
2005 Bond Resolution:				
2007-Three Series	4.25%-5.50%	520,000	4.00%	415,000
Bethel, City of				
Juneau, City and Borough of				
2007-Four Series - Kenai Peninsula Borough	4.25%-5.00%	680,000	4.25%-4.50%	1,070,000
2008-One Series	4.00%-5.00%	1,880,000	5.00%	3,260,000
Dillingham				
Kodiak Island Borough				
Kodiak, City of				
Seward				
2008-Two Series	4.40%-6.00%	710,000	4.75%-6.00%	1,200,000
Seward				
Sitka, City and Borough of				
Skagway				
2009-One Series	3.00%-5.63%	1,630,000	4.00%-5.50%	560,000
Kodiak, City of				
Unalaska, City of				
2009-Two Series	4.00%-6.00%	2,605,000	4.00%-6.00%	1,400,000
Cordova				
Nome, City of				
Unalaska, City of				
Kodiak, Island Borough				
2009-Three Series - Juneau, City and Borough of	2.00%-4.00%	4,160,000	2.00%-4.00%	495,000
2009-A-Four Series	3.00%-4.00%	-	3.00%-4.00%	430,000
Kenai Peninsula Borough				
Ketchikan Gateway Borough				
2009-B-Four Series - Ketchikan Gateway Borough	4.63%-5.40%	19,835,000	-	-
2010-A-Series One	2.00%-5.00%	4,285,000	-	-
Ketchikan, City of				
Ketchikan Gateway Borough				
Kenai, City of				
Northwest Arctic Borough				
Petersburg				
Unalaska				
2010-B Series One	5.99%-6.34%	7,415,000	-	-
Kenai, City of				
Northwest Arctic Borough				
Petersburg				
Unalaska				
2010-B Series Two	3.75%-4.91%	10,730,000	-	-
Juneau, City and Borough of				
Cordova				
King Cove, City of				
2010-A Series Three	2.00%-4.00%	1,525,000	-	-
Aleutians East Borough				
Unalaska				
King Cove, City of				
2010-B Series Three	4.93%-5.43%	6,900,000	-	-
Aleutians East Borough				
Unalaska				
King Cove, City of				

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Issue	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
2010-A Series Four	2.00%-5.00%	15,230,000	-	-
Kenai Peninsula Borough				
Ketchikan, City of				
Ketchikan Gateway Borough				
Sitka, City and Borough of				
Sitka, City and Borough of (Refunding)				
Soldotna				
2010-B Series Four	1.42%-6.26%	45,140,000	-	-
Kenai Peninsula Borough				
Ketchikan, City of				
Ketchikan Gateway Borough				
Sitka, City and Borough of				
Soldotna				
2011-Series One	3.00%-5.13%	6,310,000	-	-
Kodiak Island Borough				
Wrangell				
2011-Series Two	2.00%-4.38%	6,720,000	-	-
Juneau, City and Borough of				
Sitka, City and Borough of				
2011-Series Three	2.00%-5.00%	53,420,000	2.00%-5.00%	1,390,000
Wrangell				
Aleutians East Borough				
Northwest Arctic Borough				
Ketchikan Gateway Borough				
Kenai Peninsula Borough				
Cordova				
Hoonah				
Skagway				
Seward				
Kodiak Island Borough				
2012-Series One	2.00%-5.00%	6,800,000	-	-
Juneau, City and Borough of (Wildflower Court)				
Juneau, City and Borough of				
2012-Series Two	1.75%-5.00%	36,095,000	2.00%-4.00%	1,900,000
Juneau, City and Borough of				
Ketchikan, City of				
Ketchikan Gateway Borough				
Kodiak Island Borough				
Nome, City of				
North Pole, City of				
Palmer, City of				
Petersburg				
Sitka, City and Borough of				
Valdez				
2012-Series Three	1.50%-5.00%	14,715,000	-	-
Juneau, City and Borough of (School)				
Juneau, City and Borough of (REF)				
Petersburg				
Haines Borough				
2013-Series One	2.00%-5.00%	87,045,000	-	-
Juneau, City and Borough of (Hospital Rev REF)				
Juneau, City and Borough of				
Kenai Peninsula Borough				
Ketchikan Gateway Borough				
Kodiak Island Borough				
Sand Point, City of				
Sitka, City and Borough of (Harbor)				
Sitka, City and Borough of (Electric)				

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Issue	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
2013-Series Two A Homer, City of Ketchikan, City of Ketchikan, City of (REF) Skagway	2.00%-4.00%	15,750,000	-	-
2013-Series Two B Kodiak Island Borough	3.00%-4.00%	15,235,000	-	-
2013 Series Three Juneau, City and Borough of Kenai Peninsula Borough Lake and Peninsula Borough Sitka, City and Borough of	1.50%-5.00%	66,435,000	-	-
2014-Series One A Juneau, City and Borough of Kodiak Island Borough Kenai Peninsula Borough- Exempt Kenai Peninsula Borough- Taxable	0.38%-5.00%	52,950,000	-	-
2014-Series Two A Ketchikan, City of (Harbor) Ketchikan, City of (Hospital) King Cove, City of	3.00%-5.00%	44,670,000	-	-
2014-Series Three City & Borough of Juneau City of Saxman City & Borough of Sitka City of Adak (REF) Municipality of Anchorage (Rev REF) Haines Borough (REF) Kenai Peninsula City of Nome (REF) Northwest Arctic Borough (REF) Petersburg Borough (REF) City of Seward (REF) City of Seward (REF) - 2	1.25%-5.00%	52,325,000	-	-
2015-Series One City of Craig - New Money City of Cordova - New Money City of Cordova (REF2005A) City of Ketchikan (REF2005A) Northwest Arctic Borough (REF2005A) City and Borough of Sitka (REF2005A) City of Unalaska (REF2005A) Ketchikan Gateway Borough (REF2005E) Aleutians East Borough (REF2006A) City of Nome (REF2006A) City of Wrangell (REF2006A) City and Borough of Sitka (REF2008-2) City of Unalaska (REF2009-1) City of Cordova (REF2009-2) City of Nome (REF2009-2)	2.00%-5.00%	52,305,000	-	-
2015-Series Two City of Cordova - CC Municipality of Skagway - PSB City and Borough of Juneau - PP Municipality of Skagway - PP City and Borough of Juneau - School City and Borough of Juneau (REF2007-3) Kenai Peninsula Borough (REF2007-4)	2.00%-5.00%	55,475,000	-	-

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Issue	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
2015-Series Three	2.00%-5.25%	95,835,000	-	-
University of Alaska				
Haines Borough				
Kodiak Island Brough - School				
Kodiak Island Borough - R&R				
King Cove, City of				
2016-Series One	2.00%-5.00%	32,320,000	-	-
Kenai Peninsula Borough CES 7-Year Loan				
Kenai Peninsula Borough CES 15-Year Loan				
City of Klawock				
Kodiak Island Borough - R&R				
Kodiak Island Borough - School				
City of Seward (REF2008-1)				
City of Seward (REF 2008-2)				
2016-Series Two	3.00%-5.00%	55,770,000	-	-
Fairbanks North Star Borough				
Ketchikan, City of				
2016-Series Three	2.00%-5.00%	79,975,000	-	-
City of Petersburg 2007 One Current Refunding				
City of Nome 2007 One Refunding				
Northwest Arctic Borough 2007 One Refunding				
City of Seward 2007 One Refunding				
City of Wasilla 2007 One Refunding				
City and Borough of Sitka 2007 One Refunding				
Aleutians East Borough 2007 Two Refunding				
Kenai Peninsula Borough 2007 Two Refunding				
City of Bethel 2007 Three Refunding				
City of Kodiak 2007 Five Float Refunding				
City of Kodiak 2007 Five Lift Refunding				
City of Dillingham 2008 One Loan Refunding				
City of Kodiak 2008 One Loan Refunding				
Kodiak Island Borough 2008 One Loan Refunding				
City of Skagway 2008 Two Loan Refunding				
City of Kodiak 2009 One Loan Refunding				
City and Borough of Juneau 2006B Refunding				
City and Borough of Juneau New Money				
2016-Series Four	2.00%-5.00%	28,790,000	-	-
City of Ketchikan Port 2006 Two Loan Refunding				
City of Ketchikan Port New Money				
2017-Series One	2.50%-5.00%	12,795,000	-	-
Kenai Peninsula Borough Hospital Loan				
Kenai Peninsula Borough				
Kenai Peninsula Borough Solid Waste Loan				
2017-Series Two	3.63%-5.00%	31,655,000	-	-
City of Unalaska				
City of Whittier				
Total 2005 Bond Resolution:		<u>1,026,635,000</u>		<u>12,120,000</u>
2010 Bond Resolution:				
2010-A-1 Series One - Ketchikan Gateway Borough	3.00%-4.00%	310,000	-	-
2010-A-2 Series One - Ketchikan Gateway Borough	5.78%-6.86%	<u>3,700,000</u>	-	-
Total 2010 Bond Resolution:		<u>4,010,000</u>		-
2016 Master Bond Resolution:				
2016-Series A - Tanana Chiefs Conference	5.00%	44,135,000	-	-
2017 Series A - Yukon-Kuskokwim Health Corporation	3.00%-5.50%	<u>100,715,000</u>		
Total 2016 Master Bond Resolution:		<u>144,850,000</u>		-
		<u>\$ 1,175,495,000</u>		<u>\$ 12,120,000</u>

ALASKA MUNICIPAL BOND BANK AUTHORITY
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Notes to Financial Statements

All bonds are secured by bonds receivable and by amounts in the reserve account. The Act further provides that if an authorized borrower defaults on its principal and/or interest payments, upon written notice by the Authority, the State of Alaska must consider paying to the Authority all funds due from the defaulting authorized borrower from the State in an amount sufficient to clear the default. The Bond Bank Executive Director is obligated per resolution to seek and the State may provide an appropriation annually to replenish reserves.

In November 2016 the Authority issued \$109.8 million in general obligation and refunding bonds with interest rates ranging between 2% and 5%. The Authority issued the bonds to advance refund \$99,400,000 of the outstanding 2007-1, 2007-2, 2007-3, 2007-5, 2008-1, 2008-2, 2009-1 and 2006-2 general obligation bonds with interest rates averaging between 4% and 6%. The Authority used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the series bonds listed above. As a result, these bonds are considered defeased, and the Authority has removed the liability from its financial statements. The outstanding principal of the defeased bonds was \$32,115,000 at June 30, 2017. The advance refunding reduced the total debt service payments over the next 10 years by nearly \$16.6 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$12.6 million.

In fiscal year 2016 the Authority advance refunded a portion of the outstanding 2005-1 and 2008-2 general obligation bonds. As a result, these bonds were considered defeased, and the Authority removed the liability from its financial statements. The outstanding principal of these defeased bonds was \$25,370,000 at June 30, 2017.

In fiscal year 2015 the Authority advance refunded a portion of the outstanding 2007-3, 2007-4, 2008-2, 2009-1, and 2009-2 general obligation bonds. As a result, these bonds were considered defeased, and the Authority removed the liability from its financial statements. The outstanding principal of these defeased bonds was \$51,040,000 at June 30, 2017.

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The above bonds mature in varying annual installments. The maturities at June 30, 2017 are as follows:

Year ending June 30	2005		2010		2016	
	General	Reserve	General		General	
2018	\$ 61,230,000	\$ 4,805,000	\$ 150,000		\$ 6,975,000	
2019	63,560,000	625,000	160,000		4,965,000	
2020	62,875,000	925,000	165,000		5,225,000	
2021	61,815,000	-	170,000		5,485,000	
2022	60,055,000	235,000	175,000		7,930,000	
2023-2027	253,235,000	3,290,000	960,000		27,840,000	
2028-2032	202,745,000	2,240,000	1,150,000		15,210,000	
2033-2037	131,400,000	-	1,080,000		18,470,000	
2038-2042	73,805,000	-	-		22,895,000	
2043-2047	51,815,000	-	-		29,855,000	
2048-2052	4,100,000	-	-		-	
	<u>\$ 1,026,635,000</u>	<u>\$ 12,120,000</u>	<u>\$ 4,010,000</u>		<u>\$ 144,850,000</u>	

Year ending June 30	Total Principal		Total Interest	
2018	\$ 73,160,000	\$ 54,162,800		
2019	69,310,000	51,064,664		
2020	69,190,000	48,082,250		
2021	67,470,000	45,042,453		
2022	68,395,000	41,953,297		
2023-2027	285,325,000	164,372,285		
2028-2032	221,345,000	103,936,696		
2033-2037	150,950,000	59,366,068		
2038-2042	96,700,000	33,185,656		
2043-2047	81,670,000	10,458,272		
2048-2052	4,100,000	207,499		
	<u>\$ 1,187,615,000</u>	<u>\$ 611,831,940</u>		

(8) Conduit Debt

Under the Coastal Energy Loan Program (Program), the Authority issued \$5,000,000 1986 Series A Coastal Energy Bonds (Bonds) payable to the National Oceanic and Atmospheric Administration (NOAA). The proceeds of these bonds were used to purchase port revenue bonds from the City of Nome. The City of Nome entered into a tripartite agreement with NOAA and the Authority effective August 2, 1994 to defer payment of the principal and accrual of interest for ten years. Effective January 29, 2009 a second amendment to the tripartite agreement was executed. The amendment authorized the issuance of 2009A Bonds for the purpose of refunding by exchange the outstanding City of Nome, Alaska, Port Revenue Bond 1986 Series A. As of June 30, 2017 the aggregate amount outstanding for conduit debt obligations was \$4,128,430.

Also under the Program, the Authority issued \$6,563,000 1987 Series A Coastal Energy Bonds payable to NOAA. The proceeds of these bonds were used to purchase port revenue bonds from the City of St. Paul. The City of St. Paul entered into a tripartite agreement with NOAA and the Authority effective December 14, 2000 to modify and defer payment. As of June 30, 2017 the aggregate amount outstanding for the City of St. Paul conduit debt obligations was \$6,005,878.

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Notes to Financial Statements

The related loan payables do not represent a general obligation of the Authority as they are payable only from proceeds received from the City of Nome and St. Paul, respectively. Payment of principal and interest on the Bond Bank's Coastal Energy Bond is not secured by a pledge of any amounts held by or payable to the Bond Bank under the General Bond Resolution, including the Reserve Account, and is not in any way a debt or liability of the Bond Bank and accordingly, are not included in the basic financial statements.

The Coastal Energy Bonds and related accounts are included in the Bond Bank's statutory limit for total bonds outstanding.

(8) Commitments

During 2011 State Legislature appropriated \$2,450,000 to Bond Bank to issue a 15-year, one percent interest loan to the City of Galena to retire existing debt obligations and make certain utility improvements. The intent of the legislature was that loan repayments made for the loan be paid into the State of Alaska General Fund in accordance with the provisions of the AS 44.85.270(h). The amount of receipts available to the Authority during fiscal year 2017 as discussed in Note 2(d), included \$178,200 of City of Galena loan repayments for the year ended June 30, 2017. There were no excess receipts over operating expenditures during fiscal year 2017.

The amount of Authority receipts determined under AS 44.85.270(h) and, as discussed in Note 2(d), available for transfer by the Authority and appropriation to the Bond Bank Authority Reserve Fund under AS 44.85.270(a) was \$-0- for fiscal year 2017; the cumulative state appropriated amount, therefore, remained \$33,396,046 at June 30, 2017.

The entire Custodian Account balance is available for appropriation, at any time, by the State Legislature.

(9) Subsequent Events

Subsequent to June 30, 2017, the Bond Bank has not issued additional bonds. At a meeting on September 28, 2017, the Bond Bank Board of Directors approved an application from an authorized borrower and a resolution authorizing the issuance of the Series 2017-03 bonds. The Bond Bank anticipates the issuance of the Series 2017-03 bonds before the end of calendar year 2017.

Supplemental Schedule

ALASKA MUNICIPAL BOND BANK AUTHORITY
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Supplemental Schedule of Statutory Reserve Accounts - Assets, Liabilities, and Account Reserves

June 30, 2017

	2005 Resolution	2010 Resolution	2016 Resolution	Total
ASSETS				
Cash	\$ 1,645,237	\$ 395	\$ 35,406	\$ 1,681,038
Accrued interest receivable	160,958	850	34,335	196,143
Marketable securities	46,458,263	288,214	6,967,864	53,714,341
Interaccount receivables	-	105,791	-	105,791
	<u>\$ 48,264,458</u>	<u>\$ 395,250</u>	<u>\$ 7,037,605</u>	<u>\$ 55,697,313</u>
LIABILITIES				
Accrued interest payable	\$ 169,031	\$ -	\$ -	\$ 169,031
Interaccount payables	5,765,904	-	29,048	5,794,952
Bond proceeds held in reserve	-	-	6,993,150	6,993,150
Bonds payable	12,120,000	-	-	12,120,000
	<u>18,054,935</u>	<u>-</u>	<u>7,022,198</u>	<u>25,077,133</u>
RESERVES				
State appropriated	28,046,530	393,086	-	28,439,616
Unappropriated	2,398,951	1,465	-	2,400,416
Unrealized gain (loss)	(235,958)	699	15,407	(219,852)
	<u>30,209,523</u>	<u>395,250</u>	<u>15,407</u>	<u>30,620,180</u>
	<u>\$ 48,264,458</u>	<u>\$ 395,250</u>	<u>\$ 7,037,605</u>	<u>\$ 55,697,313</u>

See Independent Auditor's report

Continuing Disclosure Tables

Pursuant to the Securities and Exchange Commission Rule 15c2-12 and the Authority's continuing disclosure undertakings, the Authority is obligated to provide annual financial information. In addition to annual financial statements the Authority must provide a statement of authorized, issued and outstanding bonded debt, reserve fund balances, and government unit statistics in substantially the same form as Appendix C of official statements of the Authority. The following supplemental information related to the 2005, 2010, and 2016 master resolutions is provided in compliance with the Appendix C filing requirement.

ALASKA MUNICIPAL BOND BANK AUTHORITY
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Supplemental Schedule of 2005 Bond Resolution Program - Borrower Concentration

June 30, 2017

Borrower	Outstanding Par	Percent of Outstanding
City and Borough of Sitka	\$ 139,685,000	13.45%
City and Borough of Juneau	133,675,000	12.87%
Kenai Peninsula Borough	112,225,000	10.80%
City of Ketchikan	94,680,000	9.11%
Kodiak Island Borough	91,745,000	8.83%
University of Alaska	86,085,000	8.29%
City of Unalaska	61,635,000	5.93%
Fairbanks North Star Borough	55,770,000	5.37%
Ketchikan Gateway Borough	33,495,000	3.22%
City of Seward	33,425,000	3.22%
Northwest Arctic Borough	30,215,000	2.91%
Aleutians East Borough	23,275,000	2.24%
Municipality of Skagway	19,780,000	1.90%
City of Cordova	16,730,000	1.61%
Lake & Peninsula Borough	16,500,000	1.59%
City of Kodiak	12,605,000	1.21%
Haines Borough	10,835,000	1.04%
Petersburg Borough	10,240,000	0.99%
City of Dillingham	9,150,000	0.88%
City of Nome	4,390,000	0.42%
Municipality of Anchorage	3,495,000	0.34%
City of Homer	3,200,000	0.31%
City of King Cove	2,820,000	0.27%
City of Sand Point	2,370,000	0.23%
City of Valdez	2,270,000	0.22%
City of Bethel	2,175,000	0.21%
City of Whittier	2,000,000	0.19%
City of Soldotna	1,900,000	0.18%
City of Craig	1,695,000	0.16%
City of Kenai	1,445,000	0.14%
City of Klawock	1,350,000	0.13%
City of Hoonah	1,015,000	0.10%
City and Borough of Wrangell	980,000	0.09%
City of Wasilla	800,000	0.08%
City of North Pole	755,000	0.07%
City of Palmer	710,000	0.07%
South Peninsula Hosp. (KPB)	680,000	0.07%
City of Adak	680,000	0.07%
City of Saxman	155,000	0.01%
Reserve Obligations	12,120,000	1.18%
Total Outstanding Par	<u>\$ 1,038,755,000</u>	<u>100.00%</u>

See Independent Auditor's report

ALASKA MUNICIPAL BOND BANK AUTHORITY
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Supplemental Schedule 2005 Bond Resolution Program - Debt Service Requirements

June 30, 2017

Borrower	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
City and Borough of Juneau - 2007 III Dock Loan	\$ 353,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Bethel - 2007 III Court Facility Loan	179,375	-	-	-	-	-	-	-	-	-
Kenai Peninsula Borough South Hospital Service Area	695,300	-	-	-	-	-	-	-	-	-
City of Dillingham 2008 One Loan	754,000	-	-	-	-	-	-	-	-	-
Kodiak Police Station 2008 One Loan	218,400	-	-	-	-	-	-	-	-	-
City of Seward Long Term Care 2008 One Loan	982,800	-	-	-	-	-	-	-	-	-
City and Borough of Sitka 2008 Two Loan	355,100	-	-	-	-	-	-	-	-	-
Municipality of Skagway 2008 Two Loan	249,100	-	-	-	-	-	-	-	-	-
City of Seward 2008 Two Loan	148,400	-	-	-	-	-	-	-	-	-
City of Unalaska 2009 One Loan	856,625	855,875	-	-	-	-	-	-	-	-
City of Unalaska 2009 Two Loan	563,588	560,413	-	-	-	-	-	-	-	-
City of Cordova 2009 Two Loan	799,188	801,338	-	-	-	-	-	-	-	-
City of Nome 2009 Two Loan	32,775	31,425	-	-	-	-	-	-	-	-
City and Borough of Juneau - 2009 Three Loan	1,495,800	1,444,800	1,468,800	-	-	-	-	-	-	-
Ketchikan Gateway Borough-2009 Four Loan	1,768,232	1,754,104	1,743,479	1,731,390	1,722,642	1,707,107	1,694,654	1,684,964	1,664,500	1,652,551
City of Kenai-2010 One Loan	176,998	178,398	172,704	172,011	171,018	164,725	163,433	161,840	159,948	152,339
Ketchikan Gateway Borough-2010 One Loan	731,000	730,000	728,000	-	-	-	-	-	-	-
Northwest Arctic Borough-2010 One Loan	282,565	281,765	280,765	284,565	281,315	276,127	275,640	269,552	268,166	260,484
Petersburg Borough - 2010 One Loan	234,494	234,794	234,894	234,794	238,694	235,849	232,010	227,870	228,281	222,947
City of Unalaska-2010 One Loan	428,749	424,949	425,949	426,549	424,299	424,017	417,835	411,055	403,675	399,652
City and Borough of Juneau - 2010 Two Loans	1,129,772	1,117,534	1,107,744	2,472,665	1,820,539	1,779,639	1,517,673	1,742,096	-	-
City of Cordova 2010 Two Loan	46,859	45,138	48,188	46,070	-	-	-	-	-	-
City of King Cove 2010 Two Loan	44,762	43,686	42,540	41,363	40,155	38,847	42,319	40,652	38,985	37,246
Aleutians East Borough - 2010 Loan	395,378	396,578	397,966	392,943	390,877	383,441	380,636	372,462	368,918	359,283
City of King Cove 2010 Three Loan	62,392	60,992	59,680	58,205	61,359	59,389	57,419	55,449	53,479	56,271
City of Unalaska 2010 Three Loan	437,867	438,067	433,605	432,617	429,319	420,652	416,616	407,211	397,559	396,616
Kenai Peninsula Borough 2010 Four Loan	1,442,725	1,431,305	1,411,775	1,395,269	1,376,201	1,358,946	1,338,264	1,314,029	1,291,441	1,264,032
City of Ketchikan 2010 Four Loan	616,549	608,190	603,500	597,854	586,163	578,214	568,842	562,857	550,401	540,902
Ketchikan Gateway Borough 2010 Four Loan	324,827	320,209	315,233	314,574	308,091	300,753	292,534	288,269	282,919	-
City and Borough of Sitka 2010 Four Loan	4,075,151	4,062,570	4,047,570	4,058,570	4,050,648	4,038,926	4,030,419	4,000,527	3,930,489	3,845,859
City of Soldotna 2010 Four Loan	216,594	211,905	211,752	206,311	205,509	199,279	197,602	195,333	192,515	188,948
City and Borough of Wrangell 2011 One Loan	28,875	28,000	27,000	26,000	-	-	-	-	-	-
Kodiak Island Borough 2011 One Loan	622,950	621,400	622,800	623,600	623,800	625,513	626,275	626,088	624,950	622,863
City and Borough of Juneau 2011 Two Loan	658,831	657,300	659,600	655,200	-	-	-	-	-	-
City and Borough of Sitka 2011 Two Loan	412,134	410,090	407,590	407,390	411,790	407,690	408,071	411,271	408,871	411,071
Aleutians East Borough 2011 Three Refunding	229,375	229,875	226,000	231,625	230,625	-	-	-	-	-
Kenai Peninsula Borough 2011 Three Refunding	1,630,075	1,621,825	1,617,850	967,375	958,750	953,250	-	-	-	-
Ketchikan Gateway Borough 2011 Three Refunding	618,175	618,800	615,900	616,875	614,000	609,875	-	-	-	-
Northwest Arctic Borough 2011 Three Refunding	2,486,775	2,492,025	2,492,700	2,488,875	2,485,000	2,485,625	1,681,000	-	-	-
Kenai Peninsula Borough (Central Hospital) 2011 Three	3,521,750	3,520,000	3,521,000	3,525,500	3,528,625	3,533,750	3,520,875	-	-	-
City of Cordova 2011 Three	55,625	53,375	56,250	54,000	56,375	-	-	-	-	-
City of Hoonah 2011 Three	111,625	113,250	90,500	93,125	90,375	92,500	89,500	91,700	89,100	91,400
Kodiak Island Borough 2011 Three	300,975	300,975	301,550	301,625	300,125	298,125	300,500	298,600	302,500	300,900
Municipality of Skagway 2011 Three	37,800	36,800	35,900	35,000	34,000	37,875	36,625	35,500	34,500	33,500
City of Seward 2011 Three	244,300	244,175	244,350	244,275	243,400	242,275	245,775	244,600	243,900	243,000
Juneau Wildflower Court Refunding 2012 One	1,418,125	1,486,925	1,555,825	437,725	484,575	534,966	583,463	442,172	491,063	-
Juneau 2012 Two	1,940,250	1,958,400	-	-	-	-	-	-	-	-
City of Ketchikan 2012 Two	356,644	352,519	352,019	355,894	355,344	354,294	351,544	353,169	357,306	353,894
Ketchikan Gateway Borough 2012 Two	682,350	689,250	681,625	-	-	-	-	-	-	-
Kodiak Island Borough 2012 Two	1,439,500	1,447,950	1,439,025	1,442,275	1,433,950	1,433,125	1,433,250	1,435,000	-	-
City of Nome 2012 Two	148,900	148,825	147,950	146,825	146,100	150,000	133,250	-	-	-
City of North Pole 2012 Two	102,550	99,400	100,775	101,900	103,200	104,250	99,750	100,125	101,375	-
City of Palmer 2012 Two	105,800	108,450	104,850	105,725	106,800	107,625	107,750	107,625	-	-

(continued)

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Supplemental Schedule 2005 Bond Resolution Program - Debt Service Requirements

June 30, 2017

Borrower	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Petersburg Borough 2012 Two	496,600	491,075	488,125	488,375	489,750	485,250	468,125	246,000	-	-
City and Borough of Sitka 2012 Two	1,460,150	1,456,775	1,455,650	1,456,650	1,451,200	1,453,000	1,450,375	630,375	-	-
City of Valdez 2012 Two	348,250	351,850	343,725	340,225	342,550	344,125	343,500	317,750	-	-
Haines Borough 2012 Three	84,744	82,719	85,344	82,844	85,219	87,344	84,344	86,544	83,944	86,594
Juneau 2012 Three Refunding	918,950	928,250	937,125	948,625	947,875	959,750	973,750	-	-	-
Juneau 2012 Three School Construction	1,430,600	1,400,375	1,363,625	1,364,875	1,363,125	1,363,250	-	-	-	-
Petersburg Borough 2012 Three	103,050	105,000	101,500	102,875	104,000	104,875	105,500	101,450	102,750	99,425
Kenai Peninsula Borough (Bear Creek Fire) 2013 One	93,820	97,020	94,520	97,520	95,320	93,120	95,920	92,920	94,920	96,670
City and Borough of Juneau (Bartlett Hospital) 2013 One	1,659,263	1,665,563	1,661,863	1,661,513	1,666,713	1,665,313	1,667,513	1,668,263	1,667,663	1,673,913
City and Borough of Juneau 2013 One	203,610	199,610	204,610	200,210	200,810	201,210	201,410	200,160	203,660	201,660
Ketchikan Gateway Borough 2013 One	607,150	608,150	608,400	607,600	611,000	608,400	-	-	-	-
Kodiak Island Borough 2013 One	1,688,140	1,690,340	1,687,590	1,691,790	1,689,390	1,690,590	1,690,190	1,687,690	1,687,690	1,689,940
City of Sand Point 2013 One	182,980	180,180	181,680	183,680	180,480	182,280	183,880	184,380	184,630	184,630
City and Borough of Sitka (Harbor) 2013 One	308,900	307,900	310,150	308,550	311,750	309,550	312,150	307,400	307,400	306,900
City and Borough of Sitka (Electric) 2013 One	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360
City of Homer 2013 Two	287,850	288,650	289,300	293,300	291,900	290,300	293,500	294,500	295,000	295,000
City of Ketchikan 2013 Two	1,069,200	1,068,450	1,072,250	1,069,850	1,071,650	1,072,450	1,077,250	1,079,250	1,079,500	1,078,000
Kodiak Island Borough 2013 Two	1,355,988	1,355,888	1,360,188	1,361,588	1,361,788	1,363,038	1,367,288	1,364,288	1,369,288	1,366,788
Municipality of Skagway 2013 Two	70,300	69,250	68,200	71,800	70,200	68,600	72,000	69,750	67,500	70,250
City and Borough of Juneau 2013 Three	903,650	905,450	903,650	902,125	902,000	905,000	902,000	-	-	-
Kenai Peninsula Borough	1,626,550	1,625,550	1,626,600	1,627,325	1,628,500	1,627,675	1,630,175	1,630,175	1,627,675	1,627,550
Lake and Peninsula Borough 2013 Three	1,421,950	1,419,850	1,423,900	1,423,250	1,424,250	1,423,500	1,422,000	1,423,375	1,422,500	1,419,375
City and Borough of Sitka 2013 Three	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975
Kenai Peninsula Borough 2014 One	2,956,670	2,960,067	2,960,062	2,959,103	2,955,849	2,957,500	2,955,500	2,958,250	2,959,500	2,957,750
Kodiak Island Borough 2014 One	1,774,713	1,772,713	1,775,113	1,772,113	1,776,363	1,773,113	1,772,613	1,769,613	1,774,925	1,772,425
City and Borough of Juneau 2014 One	407,838	404,838	406,538	403,138	404,638	405,638	406,138	406,138	404,575	403,825
City of Ketchikan Hospital (G.O.) 2014 Two	2,553,700	2,553,700	2,551,700	2,552,700	2,556,450	2,557,700	2,556,450	2,557,700	2,561,200	2,561,700
City of Ketchikan Harbor (G.O.) 2014 Two	205,300	205,550	205,550	205,300	204,800	209,050	207,800	206,300	209,550	207,300
City of King Cove Electric 2014 Two	161,050	160,050	163,800	42,050	41,050	40,050	39,050	38,050	37,050	41,050
City and Borough of Juneau 2014 Three	909,900	908,400	909,000	911,375	907,625	907,750	911,500	908,875	909,875	909,375
City and Borough of Sitka 2014 Three	816,250	816,250	816,250	816,250	816,250	816,250	816,250	816,250	816,250	816,250
City of Saxman 2014 Three	12,550	12,350	12,125	11,875	11,625	11,375	16,000	15,500	15,000	14,500
City of Adak Refunding 2014 Three	106,000	103,000	104,500	100,500	101,375	102,000	102,375	102,500	-	-
Municipality of Anchorage Refunding 2014 Three	294,700	294,600	298,500	296,375	294,000	296,250	298,000	294,375	290,500	291,250
Haines Borough Refunding 2014 Three	1,196,100	1,198,600	1,195,375	1,191,125	1,194,625	1,190,750	1,189,500	1,190,625	1,189,000	-
Kenai Peninsula Borough Refunding 2014 Three	180,650	180,750	180,000	183,250	181,125	178,750	181,000	177,875	179,375	-
City of Nome Refunding 2014 Three	271,350	268,650	269,625	269,125	268,125	266,625	269,500	271,625	-	-
Northwest Arctic Borough Refunding 2014 Three	445,300	448,200	448,875	447,250	449,750	446,375	447,125	442,000	445,875	-
Petersburg Borough Refunding 2014 Three	399,550	398,750	401,000	401,125	400,500	399,125	401,875	398,750	399,750	-
City of Seward 2005 Refunding 2014 Three	105,400	107,500	104,125	105,250	106,125	106,750	107,125	102,375	102,500	-
City of Seward 2006 Refunding 2014 Three	323,900	320,400	320,475	318,975	316,975	319,350	320,975	321,850	637,100	-
City of Cordova 2015 One New Money	134,225	136,725	134,125	136,075	132,575	133,950	135,075	135,950	136,575	136,950
City of Cordova 2015 One 2005 Refunding	193,300	191,200	193,800	-	-	-	-	-	-	-
City of Cordova 2015 One 2009 Refunding	564,850	566,950	593,350	1,354,000	1,348,500	1,345,875	1,345,875	1,343,375	1,343,250	1,330,625
City of Craig 2015 One New Money	134,388	136,888	134,288	136,238	132,738	134,113	135,238	136,113	136,738	137,113
Aleutians East Borough 2015 One 2006 Refunding	276,000	253,100	250,400	251,375	255,750	269,125	169,125	117,500	97,375	-
Ketchikan Gateway Borough 2015 One 2005 Refunding	594,200	586,500	-	-	-	-	-	-	-	-
Ketchikan 2015 One 2005 Refunding	800,700	-	-	-	-	-	-	-	-	-
Nome 2015 One 2006 Refunding	88,950	91,450	83,950	86,125	87,750	89,125	90,250	86,250	87,125	-
Nome 2015 One 2009 Refunding	19,700	19,700	49,100	52,625	50,875	49,125	52,250	50,250	48,250	51,125
Northwest Arctic Borough 2015 One 2005 Refunding	1,637,600	1,635,100	1,630,400	1,640,000	-	-	-	-	-	-
Sitka 2015 One 2005 Refunding	397,800	398,100	397,800	-	-	-	-	-	-	-
Sitka 2015 One 2008 Refunding	196,275	539,275	535,075	533,500	539,125	538,625	537,688	536,000	537,875	533,625
Unalaska 2015 One 2005 Refunding	397,600	397,900	392,700	-	-	-	-	-	-	-
Unalaska 2015 One 2009 Refunding	815,900	815,900	1,852,438	1,853,125	1,849,844	1,848,994	1,846,138	1,841,825	1,840,575	1,841,200

(continued)

ALASKA MUNICIPAL BOND BANK AUTHORITY
(A Component Unit of the State of Alaska)

Supplemental Schedule 2005 Bond Resolution Program - Debt Service Requirements

June 30, 2017

Borrower	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Wrangell 2015 One 2006 Refunding	238,450	240,050	241,250	240,875	-	-	-	-	-	-
Cordova 2015 Two	211,450	212,650	212,650	212,400	211,900	211,150	213,750	212,500	211,000	214,250
Skagway 2015 Two	683,550	680,150	684,400	682,900	680,900	683,400	683,100	684,600	680,350	680,600
City and Borough of Juneau 2015 Two (G.O. Refunding)	705,350	705,750	708,750	-	-	-	-	-	-	-
City and Borough of Juneau 2015 Two (Harbor Refunding)	362,100	742,100	738,100	738,350	737,600	740,850	741,650	743,150	738,400	737,650
Kenai Peninsula Borough 2015 Two	402,050	1,097,050	1,097,300	1,090,800	1,092,800	1,092,800	1,091,000	1,093,250	1,088,250	1,091,250
Juneau 2015 Two (Cruise Dock)	1,687,500	1,692,500	1,688,250	1,692,250	1,689,000	1,688,750	1,686,250	1,686,500	1,689,250	1,689,250
Skagway 2015 Two (Port)	363,088	361,688	363,438	359,688	360,688	361,188	361,188	360,688	359,688	363,188
University of Alaska 2015 Three	4,057,863	5,586,663	5,589,588	5,585,838	5,587,838	5,590,213	5,587,838	5,590,463	5,587,838	5,589,713
Haines Borough 2015 Three	94,300	93,100	91,300	89,300	92,175	89,925	92,550	90,050	92,425	89,675
Kodiak Island Borough 2015 Three High School	492,413	491,313	491,838	490,838	494,213	491,963	494,088	490,588	491,463	491,588
Kodiak Island Borough 2015 Three Renewal & Replace	224,200	224,600	222,500	224,250	225,500	226,250	226,500	226,250	225,500	-
King Cove 2015 Three	48,588	48,588	48,588	72,963	76,588	75,088	73,588	76,963	75,213	73,463
Kenai Peninsula Borough CES 7-Year Loan - 2016 One	86,125	87,750	89,125	90,250	86,250	87,125	-	-	-	-
Kenai Peninsula Borough CES 15-Year Loan - 2016 One	178,313	178,188	177,813	177,188	176,313	175,188	178,688	176,813	179,563	179,263
City of Klawock New Money Loan - 2016 One	89,950	87,950	85,950	88,825	86,575	84,325	86,950	89,325	91,450	89,350
Kodiak Island Borough R&R Loan - 2016 One	674,250	676,625	677,750	677,625	676,250	678,500	674,375	678,750	676,500	-
Kodiak Island Borough High School Loan - 2016 One	133,794	130,544	132,169	133,544	134,669	130,669	131,544	132,169	132,544	134,169
City of Seward 2008 One Refunding - 2016 One	649,006	649,006	1,458,256	1,455,756	1,451,256	1,444,756	1,446,006	1,439,881	1,441,256	1,452,256
City of Seward 2008 Two Refunding - 2016 One	196,575	200,700	341,075	337,700	338,950	339,700	339,950	334,825	339,200	341,400
Fairbanks North Star Borough - 2016 Two	4,110,525	4,109,400	4,113,275	4,111,900	4,110,150	4,112,650	4,109,150	4,109,400	4,112,900	4,109,400
City of Petersburg 2007 One New Money Refunding - 2016 Three	83,550	86,800	84,400	86,900	84,300	81,375	83,000	79,500	80,875	82,000
City of Petersburg 2007 One Current Refunding - 2016 Three	137,200	143,400	138,200	142,800	-	-	-	-	-	-
City of Nome 2007 One Refunding - 2016 Three	171,100	176,400	174,900	168,300	-	-	-	-	-	-
Northwest Arctic Borough 2007 One Refunding - 2016 Three	1,189,650	1,187,700	1,188,800	1,183,200	-	-	-	-	-	-
City of Seward 2007 One Refunding - 2016 Three	236,200	230,200	232,000	228,500	234,600	-	-	-	-	-
City of Wasilla 2007 One Refunding - 2016 Three	415,150	413,100	-	-	-	-	-	-	-	-
City and Borough of Sitka 2007 One Refunding - 2016 Three	830,300	826,200	-	-	-	-	-	-	-	-
Aleutians East Borough 2007 Two Refunding - 2016 Three	1,547,150	1,592,650	1,608,050	1,616,550	1,633,050	1,895,625	2,044,875	2,119,750	2,167,375	2,193,625
Kenai Peninsula Borough 2007 Two Refunding - 2016 Three	119,350	119,350	119,350	726,950	726,650	722,000	722,625	-	-	-
City of Bethel 2007 Three Refunding - 2016 Three	93,050	254,750	253,050	251,150	253,950	250,500	255,625	250,250	249,500	253,125
City of Kodiak 2007 Five Float Refunding - 2016 Three	118,763	112,213	115,113	112,913	115,613	112,913	114,788	111,538	113,163	114,538
City of Kodiak 2007 Five Lift Refunding - 2016 Three	214,900	217,250	218,550	219,650	220,550	220,700	220,075	219,200	218,075	216,700
City of Dillingham 2008 One Loan Refunding - 2016 Three	392,150	1,063,450	1,060,550	1,061,550	1,066,250	1,065,500	1,064,000	1,060,500	1,064,750	1,066,500
City of Kodiak 2008 One Loan Refunding - 2016 Three	253,000	448,850	450,450	451,650	447,550	446,950	449,575	451,450	447,700	448,325
Kodiak Island Borough 2008 One Loan Refunding - 2016 Three	228,350	615,450	619,250	617,350	619,750	619,000	619,875	619,500	622,750	619,625
City of Skagway 2008 Two Loan Refunding - 2016 Three	131,700	357,100	357,700	357,900	357,700	355,750	356,875	357,250	356,875	355,750
City of Kodiak 2009 One Loan Refunding - 2016 Three	63,531	62,631	61,431	60,231	59,031	62,556	60,806	59,056	62,181	60,181
City and Borough of Juneau 2006B Refunding - 2016 Three	3,840,950	3,861,500	3,849,800	3,784,100	4,029,000	-	-	-	-	-
City and Borough of Juneau New Money - 2016 Three	328,550	331,900	332,700	333,100	333,100	331,375	332,750	328,500	328,625	328,000
City of Ketchikan Port 2006 Two Loan Refunding - 2016 Four	2,214,925	2,213,250	2,215,500	2,210,375	2,207,875	2,207,750	2,204,875	2,204,125	2,200,375	2,198,500
City of Ketchikan Port New Money - 2016 Four	141,325	144,000	145,875	142,625	144,250	145,625	141,875	143,000	143,875	144,500
Kenai Peninsula Borough Hospital Loan - 2017 One	399,547	398,919	397,669	400,919	398,419	400,419	401,669	399,419	399,669	399,169
Kenai Peninsula Borough Solid Waste Loan - 2017 One	1,065,164	1,065,250	1,063,500	1,064,750	1,063,750	1,060,500	-	-	-	-
City of Seward - 2017 One	210,121	210,056	210,056	209,806	209,306	208,556	207,556	209,431	207,931	206,181
City of Unalaska - 2017 Two	1,343,109	1,328,350	2,013,350	2,014,100	2,013,100	2,015,350	2,010,600	2,014,100	2,010,350	2,014,600
City of Whittier - 2017 Two	155,070	156,625	159,025	155,525	157,025	158,275	154,275	155,275	156,025	156,525
Total Loan Obligation Debt Service	<u>\$ 107,591,568</u>	<u>\$ 107,400,739</u>	<u>\$ 104,028,206</u>	<u>\$ 100,227,540</u>	<u>\$ 95,704,309</u>	<u>\$ 91,326,146</u>	<u>\$ 85,591,028</u>	<u>\$ 76,520,544</u>	<u>\$ 71,913,968</u>	<u>\$ 66,853,160</u>

ALASKA MUNICIPAL BOND BANK AUTHORITY
(A Component Unit of the State of Alaska)

Supplemental Schedule of 2010 Bond Resolution Program - Borrower
Concentration

June 30, 2017

Borrower	Outstanding Par	Percent of Outstanding
Ketchikan Gateway Borough	\$ 4,010,000	100.00%
Total Outstanding Par	<u>\$ 4,010,000</u>	<u>100.00%</u>

See Independent Auditor's report

ALASKA MUNICIPAL BOND BANK AUTHORITY
(A Component Unit of the State of Alaska)

Supplemental Schedule 2010 Bond Resolution Program - Debt Service Requirements

June 30, 2017

Borrower	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Ketchikan Gateway Borough	\$399,644	\$403,444	\$400,474	\$395,791	\$390,819	\$385,558	\$380,007	\$374,168	\$372,895	\$365,080
Total Loan Obligation DS	<u>\$ 399,644</u>	<u>\$ 403,444</u>	<u>\$ 400,474</u>	<u>\$ 395,791</u>	<u>\$ 390,819</u>	<u>\$ 385,558</u>	<u>\$ 380,007</u>	<u>\$ 374,168</u>	<u>\$ 372,895</u>	<u>\$ 365,080</u>

See Independent Auditor's report

ALASKA MUNICIPAL BOND BANK AUTHORITY
(A Component Unit of the State of Alaska)

Supplemental Schedule of 2016 Master Resolution Program - Borrower Concentration

June 30, 2017

Borrower	Outstanding Par	Percent of Outstanding
Tanana Chiefs Conference	\$ 44,135,000	30.47%
Yukon-Kuskokwim Health Corporation	100,715,000	69.53%
Total Outstanding Par	<u>\$ 144,850,000</u>	<u>100.00%</u>

See Independent Auditor's report

ALASKA MUNICIPAL BOND BANK AUTHORITY
(A Component Unit of the State of Alaska)

Supplemental Schedule 2016 Master Resolution Program - Debt Service Requirements

June 30, 2017

Borrower	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Tanana Chiefs Conference	9,068,000	6,762,500	6,771,125	6,766,625	6,778,875	6,771,625	6,784,750	3,351,750	-	-
Yukon-Kuskokwim Health Corporation	4,967,494	4,833,238	4,833,238	4,833,238	6,955,913	6,944,188	6,932,038	6,940,788	6,929,163	6,924,788
Total Loan Obligation DS	<u>\$14,035,494</u>	<u>\$11,595,738</u>	<u>\$11,604,363</u>	<u>\$11,599,863</u>	<u>\$13,734,788</u>	<u>\$13,715,813</u>	<u>\$13,716,788</u>	<u>\$10,292,538</u>	<u>\$ 6,929,163</u>	<u>\$ 6,924,788</u>

See Independent Auditor's report



State of Alaska Department of Revenue AMBBA Budget Overview

A Presentation to the Revenue Finance Subcommittee
January 25, 2018

Deven Mitchell
Executive Director



Alaska Municipal Bond Bank Authority

For 42 years, the Bond Bank has provided the low cost alternative for political subdivisions of the State to finance projects such as schools, water and sewer systems, public buildings, harbors, hospitals, and public utilities.

- Core services have expanded to provide lending to the University, Regional Health Organizations, Joint Action Agencies, and the Alaska Municipal League's Joint Insurance Association
- Achieves lower costs by maintaining strong credit ratings ('AA-' Outlook Stable by Fitch Ratings, and 'AA-' Negative Outlook by Standard and Poor's Global Ratings).
- Combines bond issuances into larger more economic offerings, and actively negotiates lower costs of issuance through use of professional personnel.
- Directly reduces local taxpayer burden.
- Directly reduces State general fund expenditures:
 - State of Alaska benefits when communities borrow at lower rates, as the State pays lower reimbursement rates for qualifying school, transportation, and health care projects.

AMBBA Facts & Figures

- 2017 was AMBBA's 42nd year of 100% borrower loan repayments.
- Self supported operation - all operating costs are funded from Bond Bank receipts.
- AMBBA has generated \$27.8 million of revenue for the State's general fund.
- Staff of 1 full time equivalent (.5 executive director and .5 finance director).
- At 6/30/17, AMBBA bonds and notes outstanding were \$1.19 billion, with a borrowing limit of \$1.79 billion.
- Demand driven expenses for professional services - more activity increases budget:
 - FY17 – 3 bond issues, extensive refinancing of previous loans.
 - The second Regional Health Organization Loan of \$100.7 million was made, representing the largest single loan issued by the Bond Bank since inception.
 - FY17 operating expenses came in at approximately \$636,000, under the not-to-exceed budget operating authorization of \$1,004,800.
- 3 to 4 total bond issues expected in FY2018; not-to-exceed budget operating authorization of \$1,006,300.

Major AMBBA Accomplishments in FY2017

- The Bond Bank saved approximately \$41.2 million for authorized borrowers in FY2017.
- The Bond Bank issued \$255.0 million in bonds, which resulted in \$280.7 million in loans to communities, and a Regional Health Organization:
 - \$162.6 million of projects funded.
 - \$118.1 million of loans refinanced for savings (refinanced 19 existing loans).
 - Funded 8 new construction projects located in 7 communities.
- The Bond Bank made its second loan under the \$205 million lending program for Regional Health Organizations
 - Yukon-Kuskokwim Health Corporation (YKHC) - \$100.7 million to partially fund YKHC's Dr. Paul Calricaraq Project, a hospital renovation and new primary care clinic in Bethel, Alaska.

FY19 Budget

- **FY19 Budget vs FY18 Management Plan:**
 - Stable at \$1,006.6.
 - \$.3 increases related to health benefits.



**For more information, please visit our website:
treasury.dor.alaska.gov/ambba**

THANK YOU

Please find our contact information below:

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TO: AMBBA Board Members
Luke Welles, Greg Gurse, Pam Leary,
Mike Navarre, Craig Chapman

DATE: February 16, 2018

FROM: Ryan Williams, Finance Director **TELEPHONE:** 465-2893

Fiscal Year 2018 Semi-Annual Financial Statements

A copy of AMBBA's fiscal year 2018 semi-annual (July 1, 2017 through December 31, 2017) financial statements, unaudited, are enclosed for your review.

The contracts for Accounting and Compilation and Annual Audit are expiring, and the Bond Bank is in the process of releasing an RFP to secure contracts for future fiscal years'.

Fiscal Year 2018 Returns

Below depicts the Bond Bank's fund performance and portfolio market values on a cash basis through December 31, 2017. I have included the June 30, 2017 portfolio market values for comparison. Debt service on 2005 resolution reserve obligations continue to be paid directly out of the 2005 reserve fund.

Cash Balance and Portfolio Market Value
June 30, 2017

Name	Total Cash	Market Value
AMBBA GO 2010 RESERVE FUND-442473	395	289,460
AMBBA CUSTODY -500100	451,296	11,652,200
AMBBA GO 2005 SERIES RESERVE FUND-764568	1,645,237	48,264,488
AMBBA GO 2016 RESERVE	17,490	7,019,739
	2,114,419	67,225,887

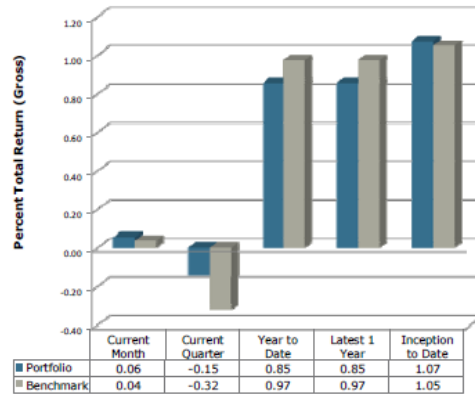
Alaska Permanent Capital Management Co.
Cash Balance and Portfolio Market Value
December 31, 2017

Name	Total Cash	Market Value
AMBBA GO 2010 RESERVE FUND-442473	85,753	406,824
AMBBA CUSTODY -500100	318,714	11,593,745
AMBBA GO 2005 SERIES RESERVE FUND-764568	2,710,379	44,313,258
AMBBA GO 2016 RESERVE	89,809	7,027,443
	3,204,655	63,341,271

Performance as of 12/31/17

2005 Reserve:

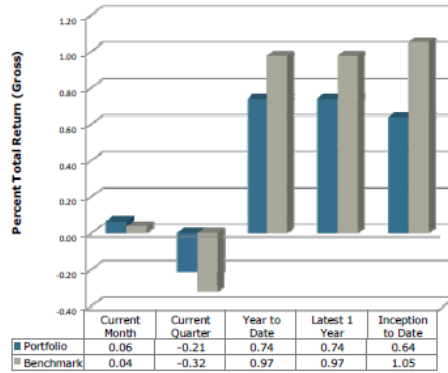
Current Account Benchmark:
90% Barclays 1-5 Yr Gov/10% US
Aggregate



Performance is Annualized for Periods Greater than One Year

2010 Reserve:

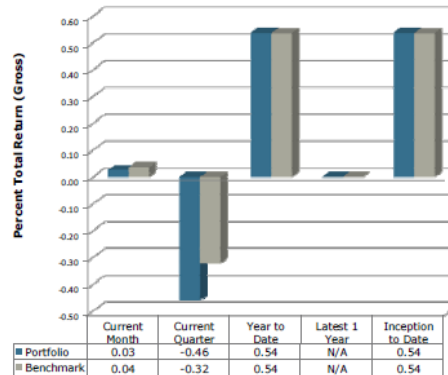
Current Account Benchmark:
90% Barclays 1-5 Yr Gov/10% US
Aggregate



Performance is Annualized for Periods Greater than One Year

2016 Reserve:

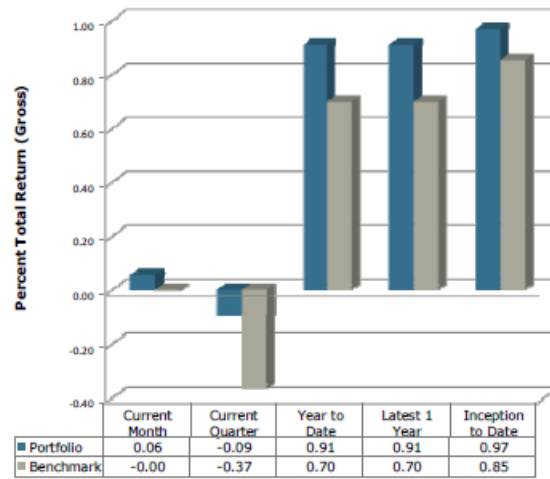
Current Account Benchmark:
90% Barclays 1-5 Yr Gov/10% US
Aggregate



Performance is Annualized for Periods Greater than One Year

Custodian Account:

Current Account Benchmark:
95% Barclays 1-5 Yr Gov/5% 90 Day Tbill



Performance is Annualized for Periods Greater than One Year

Please let me know if you have any questions, or would like to discuss this report in more detail. Thank you,

Ryan Williams
Finance Director
Alaska Municipal Bond Bank Authority
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ALASKA MUNICIPAL BOND BANK AUTHORITY
(a Component Unit of the State of Alaska)

Financial Statements

For the Six Month Period Ended December 31, 2017

ALASKA MUNICIPAL BOND BANK AUTHORITY
(a Component Unit of the State of Alaska)

Statement of Net Position and
Governmental Funds Balance Sheets
Substantially all Disclosures Required by GAAP Omitted

December 31, 2017

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 369,252	\$ 1,045,357	\$ 1,414,609	\$ -	\$ 1,414,609
Investments, at fair value	11,226,696	51,182,716	62,409,412	-	62,409,412
Accrued interest receivable:					
Bonds receivable	47,604	15,301,646	15,349,250	-	15,349,250
Investment securities	48,373	250,516	298,889	-	298,889
Bonds receivable	6,394,452	1,157,795,000	1,164,189,452	-	1,164,189,452
Interfund receivables	6,165,105	73,420	6,238,525	(6,238,525)	-
Total assets	<u>\$ 24,251,482</u>	<u>\$ 1,225,648,655</u>	<u>\$ 1,249,900,137</u>	<u>(6,238,525)</u>	<u>1,243,661,612</u>
LIABILITIES					
Accounts payable	\$ 123,616	\$ -	\$ 123,616	-	123,616
Accrued interest payable	-	-	-	15,470,677	15,470,677
Interfund payables	-	6,238,525	6,238,525	(6,238,525)	-
Bond proceeds held in reserve:	-	6,993,150	6,993,150	-	6,993,150
Long-term liabilities:					
Portion due or payable within one year:					
General obligation bonds payable	-	-	-	73,160,000	73,160,000
Portion due or payable after one year:					
General obligation bonds payable	-	-	-	1,093,370,000	1,093,370,000
Total liabilities	<u>123,616</u>	<u>13,231,675</u>	<u>13,355,291</u>	<u>1,175,762,152</u>	<u>1,189,117,443</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted	4,956,430	1,212,416,980	1,217,373,410	(1,217,373,410)	-
Unassigned	19,171,436	-	19,171,436	(19,171,436)	-
Total fund balances	<u>24,127,866</u>	<u>1,212,416,980</u>	<u>1,236,544,846</u>	<u>(1,236,544,846)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 24,251,482</u>	<u>\$ 1,225,648,655</u>	<u>\$ 1,249,900,137</u>		
Net position:					
Restricted				35,930,575	35,930,575
Unrestricted				18,613,594	18,613,594
Total net position				<u>\$ 54,544,169</u>	<u>\$ 54,544,169</u>

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.

ALASKA MUNICIPAL BOND BANK AUTHORITY
(a Component Unit of the State of Alaska)

Statement of Activities and
Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances/Net Position
Substantially all Disclosures Required by GAAP Omitted

For the Six Month Period Ended December 31, 2017

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues:					
Investment earnings	\$ 24,382	\$ 77,898	\$ 102,280	\$ -	\$ 102,280
Interest income on bonds receivable	62,158	27,066,070	27,128,228	-	27,128,228
Total revenues	86,540	27,143,968	27,230,508	-	27,230,508
Expenditures / expenses:					
Debt service:					
Principal payments	-	50,040,000	50,040,000	(50,040,000)	-
Interest payments / expense	-	27,347,845	27,347,845	-	27,347,845
Professional services	177,736	-	177,736	-	177,736
Personal services	90,608	-	90,608	-	90,608
Administrative travel	5,192	-	5,192	-	5,192
Office expense	2,156	-	2,156	-	2,156
Total expenditures / expenses	275,692	77,387,845	77,663,537	(50,040,000)	27,623,537
Excess (deficiency) of revenues over expenditures / expenses	(189,152)	(50,243,877)	(50,433,029)	50,040,000	(393,029)
Other financing sources:					
Proceeds from issuance of bonds	-	28,955,000	28,955,000	(28,955,000)	-
Total other financing sources / (uses)	-	28,955,000	28,955,000	(28,955,000)	-
Net change in fund balance / net position	(189,152)	(21,288,877)	(21,478,029)	21,085,000	(393,029)
Fund balances / net position:					
Beginning of the year	24,317,018	1,233,705,857	1,258,022,875	(1,203,085,677)	54,937,198
End of the year	\$ 24,127,866	\$ 1,212,416,980	\$ 1,236,544,846	\$ (1,182,000,677)	\$ 54,544,169

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ALASKA MUNICIPAL BOND BANK AUTHORITY
(A Component Unit of the State of Alaska)

Supplemental Schedule of Statutory Reserve Accounts - Assets, Liabilities, and Account Reserves
Substantially all Disclosures Required by GAAP Omitted

For the Six Month Period Ended December 31, 2017

	2005 Resolution	2010 Resolution	2016 Resolution	Total
ASSETS				
Cash	\$ 135,597	\$ 84,746	\$ 17,306	\$ 237,649
Accrued interest receivable	214,271	2,017	34,228	250,516
Marketable securities	43,959,612	320,356	6,902,748	51,182,716
Interaccount receivables	-	-	73,417	73,417
	<u>\$ 44,309,480</u>	<u>\$ 407,119</u>	<u>\$ 7,027,699</u>	<u>\$ 51,744,298</u>
LIABILITIES				
Accrued interest payable	\$ 169,031	\$ -	\$ 29,048	\$ 198,079
Interaccount payables	5,391,801	11,950	-	5,403,751
Bond proceeds held in reserve	-	-	6,993,150	6,993,150
Bonds payable	8,735,000	-	-	8,735,000
	<u>14,295,832</u>	<u>11,950</u>	<u>7,022,198</u>	<u>21,329,980</u>
RESERVES				
State appropriated	28,046,530	393,086	-	28,439,616
Unappropriated	2,472,955	4,560	55,210	2,532,725
Unrealized gain (loss)	(505,837)	(2,477)	(49,709)	(558,023)
	<u>30,013,648</u>	<u>395,169</u>	<u>5,501</u>	<u>30,414,318</u>
	<u>\$ 44,309,480</u>	<u>\$ 407,119</u>	<u>\$ 7,027,699</u>	<u>\$ 51,744,298</u>

These financial statements have not been subjected to an audit, review or compilation engagement, and no assurance is provided on them.



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

TO: AMBBA Board Members
Luke Welles, Craig Chapman, Mike Navarre,
Gregory Gurse, Pam Leary

DATE: February 22, 2018

FROM: Deven Mitchell, Executive Director

TELEPHONE: 465-3750

Following are updates on items not covered in the March 1, 2018 Agenda:

During 2017 I participated on a City and Borough of Juneau project committee analyzing a proposed senior housing project in Juneau. The project is proposed by a local non-profit which has determined that without financial support from the Borough or other external sources the project is unfeasible. The Borough considered using the Bond Bank to support the project, but determined that there was too much risk.

On December 19, 2017 the Tanana Chiefs Conference provided the FY 2017 Certificate of Covenant Compliance. The letter is attached.

On January 9, 2018 the City of Saxman verified having satisfied the net revenue rate covenant for the fiscal years 2016 and 2017

Tanana Chiefs Conference

Chief Peter John Tribal Building

122 First Avenue, Suite 600
Fairbanks, Alaska 99701-4897
(907) 452-8251 Fax (907) 459-3850

SUBREGIONS

UPPER KUSKOKWIM

McGrath
Medfra
Nikolai
Takatna
Telida

LOWER YUKON

Anvik
Grayling
Holy Cross
Shageluk

UPPER TANANA

Dot Lake
Eagle
Healy Lake
Northway
Tanacross
Tetlin
Tok

YUKON FLATS

Arctic Village
Beaver
Birch Creek
Canyon Village
Chalkyitsik
Circle
Fort Yukon
Venetie

YUKON KOYUKUK

Galena
Huslia
Kaltag
Koyukuk
Nulato
Ruby

YUKON TANANA

Alatna
Allakaket
Evansville
Fairbanks
Hughes
Lake Minchumina
Manley Hot Springs
Minto
Nenana
Rampart
Stevens Village
Tanana

December 19, 2017

Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
Department of Revenue
PO Box 110405
Juneau, AK 99811-0405

Re: Certificate of Covenant Compliance Annual FY17

This Certificate is delivered pursuant to the Loan Agreement, dated as of May 24, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement"), between Tanana Chiefs Conference (the "Company") and the Alaska Municipal Bond Bank Authority (the "Authority"). Section references herein relate to the Agreement unless stated otherwise.

The undersigned senior officer represents warrants and certifies as follows:

1. Pursuant to Section 4.04(A) of the Agreement, the Company has maintained at least 50 Days Cash on Hand. As of September 30, 2017 the Company reports 202.14 Days Cash on Hand.
2. Pursuant to Section 4.04(B) of the Agreement, the Company has maintained a Debt Service Coverage Ratio of at least 1.25 to 1. As of September 30, 2017 the Company reports a Debt Service Coverage Ratio of 3.84 to 1.

The undersigned senior officer, on behalf of the Company, certifies the calculations made and the information provided herewith are derived from the books and records of the Company and each matter contained herein correctly reflects those books and records.



By:
Brian Ridley, Executive Financial Officer

Tanana Chiefs Conference

Chief Peter John Tribal Building

122 First Avenue, Suite 600

Fairbanks, Alaska 99701-4897

(907) 452-8251 Fax (907) 459-3850

SUBREGIONS

UPPER KUSKOKWIM

McGrath
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Healy Lake
Northway
Tanacross
Tetlin
Tok

YUKON FLATS

Arctic Village
Beaver
Birch Creek
Canyon Village
Chalkyitsik
Circle
Fort Yukon
Venetie

YUKON KOYUKUK

Galena
Huslia
Kaltag
Koyukuk
Nulato
Ruby

YUKON TANANA

Alatna
Allakaket
Evansville
Fairbanks
Hughes
Lake Minchumina
Manley Hot Springs
Minto
Nenana
Rampart
Stevens Village
Tanana

December 19, 2017

Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
Department of Revenue
PO Box 110405
Juneau, AK 99811-0405

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The undersigned senior officer, on behalf of the Company, certifies the calculations made and the information provided herewith are derived from the books and records of the Company and each matter contained herein correctly reflects those books and records.



By:
Brian Ridley, Executive Financial Officer

City of Saxman
Rt. 2, Box 1 - Saxman
Ketchikan, AK 99901
(907)225-4166
(907)225-6450 Fax

January 9, 2018

ALASKA MUNICIPAL BOND BANK
333 Willoughby Avenue, 11th Floor
P.O. Box 110405
Juneau, Alaska 99811-0405

RE: Account #346113
Annual Compliance Certificate

To Whom It May Concern:

As per the Bond Agreement of October 30, 2014, we hereby certify that the City of Saxman, Saxman Seaport, has satisfied the Net Revenue Rate Covenants within the Bond. For both fiscal year 2016 and fiscal year 2017 the Net revenue to debt ratio is above 1.25.

Sincerely,



Leona Haffner
City Administrator

Attached Documents:
Bond Ratio Worksheet

City of Saxman
 Seaport Bond Covenant Ratios
 June 30, 2017

	Current Year	Prior Year	
Seaport Facilities Net Revenue	\$(44,907.16)	\$(3,723.83)	
Add back Depreciation	77,707.98	77,122.33	
Net Revenue for Ratio Calculation	32,800.82	73,398.50	
Average Projected Annual Debt Service	13,224.78		Average Debt Service for life of Bond
		12,550.00	Debt Servicer for next fiscal year
Required Multiplier	1.25	1.25	
	16,530.98	15,687.50	
In compliance	Yes	Yes	